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CALIFORNIA ECONOMIC INDICATORS

November/December 1990

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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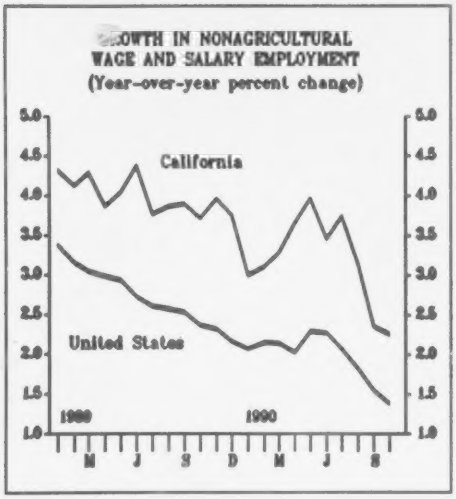
REVIEW OF ECONOMIC DEVELOPMENTS

Economic activity in California has slowed markedly in recent months. The softening is reflected in a wide variety of statistics covering virtually every aspect of economic activity. Payroll employment declined more than 75,000 between July and October. The unemployment rate reached 6 percent during that month, against a background of a sharp rise in initial jobless claims. Taxable sales in the third quarter increased only 2 percent over the comparable year earlier level, well below the 5 percent rise in consumer prices.

Construction activity continues to weaken, with new home permits in October down about half from the 1989 level, to the lowest figure since the 1982 recession. Nonresidential construction in the third quarter, at an annual rate of $11.6 billion, was the lowest since 1986 and after adjusting for inflation, was also comparable to recession levels of activity. Sales of both new and existing homes remain weak, and house prices continue to tumble in most areas of the state.

National Perspective. To a considerable degree, California mirrors the national situation. Although inflation adjusted gross national product continued to grow at a sluggish 1.7 percent pace in the third quarter, both the leading and co-incident indicators of economic activity for the nation turned down in July. This suggests that the apparent third quarter growth mainly reflected gains during the prior three months. This also suggests that the economy had softened even before Iraq invaded Kuwait.


GROWTH IN NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT
(Year-over-year percent change)

California continues to perform somewhat better than the national average, as evidenced in the accompanying chart on growth of nonfarm employment. But the state is clearly not immune to the effects of the national situation. Performance of the U.S. economy remains the dominant influence on California activity--not surprising given that the state accounts for more than 13 percent of the nation's output of goods and services.

Employment Patterns. Employment trends provide perhaps the most comprehensive and up to date snap shot of activity across the spectrum of the state's economy. As the table on page 4 indicates, goods producing activities have been hardest hit, posting a 1.6 percent decline in employment over the past year to October. Construction, which seemed to defy gravity earlier this year, is now down 2-1/2 percent from October 1989. Mining (mainly petroleum extraction in California) is down fractionally, but may improve in the near future if oil prices remain firm.

Manufacturing employment is off 1.4 percent, all in the durable goods sector which is down nearly 4 percent over the year. Nondurables are up, mainly due to stronger food processing, which may reflect more seasonal than economic influences. Within the durable goods sector, high technology is off 4.4 percent, with six of the seven component industries posting year-to-year declines. The lone exception is computers, up more than 5 percent, perhaps reflecting the positive effects of the weak dollar.

The situation is better in the service producing sectors, which continue to grow at about a 3 percent pace. Weakness is evident in wholesale and retail trade, up about 1-1/2 percent on the year, with food stores, general merchandise and building materials all about unchanged since last October. On a seasonally adjusted basis, trade employment has been declining since July, reflecting the softness in sales. The finance, insurance and real estate group is also showing slower growth, up only 1.2 percent over the year. Mirroring sales trends, real estate employment is down a little over a percent.

CALIFORNIA NON-FARM EMPLOYMENT
Selected Industries
(Thousands)

	Oct '90 Level	% Chg Oct '89
Total Non-Agricultural	13,057	2.1
Private	10,951	1.8
Goods Producing	2,857	-1.6
Service Producing	10,200	3.1
Mining	40	-0.7
Construction	678	-2.5
Manufacturing	2,139	-1.4
-Durable Goods	1,390	-3.8
High Technology	685	-4.4
Nondurable Goods	748	3.4
Transport/Utilities	641	2.8
Whlse/Retail Trade	3,061	1.6
Finance-Ins.-Real Estate	854	1.2
Finance	411	1.8
Insurance	234	2.4
Real Estate	210	-1.1
Services	3,538	5.0
Hotels	202	4.3
Business Services	763	6.0
Motion Pictures	129	11.7
Amusements	158	2.1
Health Care	780	3.2
Private Education	186	5.9
Engnr/Mgt Consulting	422	6.6
Government	2,106	3.3
Federal	351	-1.1
State	384	3.0
Local	1,372	4.6
County	275	4.4
City	235	3.3
Local Education	757	4.9

Services remain the fastest growing industry sector, posting a very respectable 5 percent gain over the past year. Motion pictures (+11.7 percent), engineering and management consulting (+6.6 percent) and business services (+6 percent) are all continuing to show solid growth.

Government employment is growing about in line with other service producing activities. Within the public sector, however, Federal government is down 1.1 percent, state government is up 3 percent, while local governments are growing by more than 4-1/2 percent. Counties and local schools are the major contributors to local government increases.

Construction and Real Estate. The housing downturn deepened in October. Very preliminary indications are that October permits were issued at roughly half the 1989 pace, implying an annual rate of about 125,000 units, the lowest since 1982. Existing home sales actually rose fractionally between September and October, according to the California Association of *Realtors*, but were still down 22 percent from the year earlier level. Median prices continued to erode, dropping to $188,000 from $193,700 in October 1989. The median price has fallen more than $13,000 since reaching a peak of over $201,000 in July of 1989.

The commercial office market is improving slowly in most parts of the state, especially in the larger metropolitan areas, according to Coldwell Banker Commercial. Vacancy rates in Los Angeles, San Francisco, Oakland/East Bay, San Jose and Sacramento were all below the national average of 19.4 percent in September. In the northern California areas, vacancy rates were actually 5 to 6 percentage points below the national figure. San Diego, Orange and Ventura counties were one to two points higher than the nation. The state's two smallest office markets, Fresno and Bakersfield, had very high downtown vacancy rates, but metropolitan area averages were not seriously above the national average.

The vacancy figures do not include office space currently under construction, and there is concern that the downtown Los Angeles market will show sharply higher vacancies when several major projects are completed in the next year or so. However, for the most part the state's commercial office markets appear to be moving toward a better balanced position.

Consumer Prices. The October California consumer price index (a population weighted average of the Los Angeles and San Francisco indexes) showed a 6.3 percent year-to-year increase, matching the national rise. Reflecting gasoline prices, transportation jumped 10-1/2 percent in Los Angeles and over 9 percent in the Bay Area. In Los Angeles, medical care costs rose over 10 percent and homeownership costs were up 6.4 percent. Bay Area medical costs rose 9 percent, and entertainment prices were 10 percent higher than a year ago.

TRADE THROUGH CALIFORNIA PORTS IN 1989

Goods in international trade valued at more than $156 billion passed through California ports during 1989. The figure, which includes all ports of entry and exit, including overland to Mexico and air shipments as well as waterborne cargo, represented a 12 percent gain over the 1988 value. Last year, exports increased 17 percent, to $62 billion, while imports were up less than 9 percent to $94 billion. The state handles about 18 percent of the nation's exports and 20 percent of imports to the U.S.

Trade through local ports includes not only goods originating in or destined for end users in California, but also goods trans-shipped through the state. Not surprisingly, four of California's top five (and eight of the top ten) "trading partners" are on the western side of the Pacific Rim. Neighboring Mexico (also a Pacific Rim nation) ranks fifth in trade volumes through California. All told, Asia and Oceania account for 70 percent of California exports and 82 percent of imports via the state.

Japan is by far the state's leading trade partner, with total volume of $53 billion, including $16 billion of exports and over $37 billion of imports. There is substantial two way trade in electronics goods and components, and California is a significant port of entry (and final destination) for Japanese made automobiles and parts. Electronics is a major element of trade with many of the Asia/Pacific nations, often including the movement of partially assembled goods and components between manufacturers in California and overseas. In recent years, China has become a significant exporter of apparel and homegoods, while South Korea and Taiwan are taking a growing share of the U.S. home electronics and photographic markets.

In Europe, the United Kingdom, Germany, France and the Netherlands are major markets for a variety of California goods and commodities, especially almonds and nonmonetary gold. California imports a variety of manufactured goods from these and other European Economic Community (EEC or Common Market) nations.

The country figures are obviously largely dominated by the state's location on the Pacific Rim. This is less true of the commodity data--especially for exports--which more closely reflect the composition of the California economy. The list of main exports is dominated by high technology goods--electronics,

CALIFORNIA TRADE BY MAJOR COUNTRY
(Value in $ Million)

	California Exports		California Imports		Net	Total
	Amount	% of US	Amount	% of US	Position	Trade
Japan	16,024	35.9	37,036	39.6	(21,013)	53,060
Taiwan	4,967	43.9	10,205	42.0	(5,238)	15,172
South Korea	5,730	42.5	8,947	45.3	(3,217)	14,677
Singapore	3,575	48.6	4,894	54.7	(1,319)	8,469
Mexico	3,580	14.3	3,794	14.0	(214)	7,374
Hongkong	2,571	40.8	3,394	34.9	(823)	5,965
West Germany	2,837	16.8	2,916	11.7	(79)	5,753
China	1,121	19.3	4,331	36.1	(3,210)	5,452
Australia	4,054	48.6	803	20.6	3,251	4,857
Malaysia	1,854	64.5	2,688	56.7	(834)	4,542
United Kingdom	2,909	13.9	1,515	8.3	1,393	4,424
Thailand	954	41.6	1,910	43.6	(956)	2,864
France	1,851	15.9	947	7.3	904	2,798
Italy	880	12.2	1,433	12.0	(553)	2,313
Philippines	1,187	53.8	1,120	36.5	67	2,307
Netherlands	1,365	12.0	397	8.3	968	1,762

instruments and aircraft. Food and fiber are represented by cotton and meats (the latter increasingly to Japan). However, the port data understate California's fruit and vegetable exports, much of which are shipped over land to Canada or trans-shipped to Arizona and the East Coast for final destinations in Europe. Unfortunately, the state of origin trade data also understate California's farm exports, which are estimated to total nearly one-third of the state's $17-1/2 billion agricultural output.

Import figures also reflect California's high technology concentration, but the billion dollar list also includes home electronics, apparel, autos, furniture, household appliances and seafood. On a commodity-by-commodity basis, even in the high tech sectors, the state's ports run a deficit, but it is also probably true that many of the state's high technology firms benefit from the ability to import lower cost components and finished goods from the Far East.

Outlook. Indications are that the overall increase in trade slowed during 1990, especially in the second half of the year. This reflects both softer demand in the U.S. and California but also less rapid growth overseas. The weaker dollar exchange rate is helping to reduce imports of basic materials such as steel. More important for California, exports of computers and other electronics goods seem to be on the rise.

BILLION DOLLAR EXPORTS
(Value in $ Million)

	Value	Calif % of US
Computers	8,182	33.4
Electronic Components	7,617	47.0
Aircraft Parts	2,843	31.0
Meats	2,353	51.6
Measuring, Control Instr.	2,132	29.6
Aircraft	1,642	11.3
Waste and Scrap	1,629	32.3
Cotton	1,408	62.3
Refined Petroleum Products	1,286	27.9
Plastic Materials	1,214	17.2
Motor Vehicles	1,177	9.0
Special Industrial Mach.	1,139	23.1
Organic Chemicals	1,130	9.8
Medical Instruments	1,110	21.0
Communications Equipment	1,037	19.8
General Industrial Mach.	1,007	16.0
Total, All Commodities	62,049	17.8

BILLION DOLLAR IMPORTS
(Value in $ Million)

	Value	Calif % of US
Computers	13,001	58.2
Motor Vehicles	10,548	19.3
Electronic Components	10,266	56.8
HH Audio/Video Equip	6,990	52.2
Apparel	4,967	23.5
Communications Equipment	3,503	40.1
Motor Vehicle Parts	2,242	10.9
Toys and Games	1,856	33.2
Rubber/Plastic Products	1,840	22.5
Leather	1,727	25.5
Photographic Equipment	1,700	29.2
Iron and Steel	1,399	15.6
Fish and Seafood	1,323	24.4
Previously Exported	1,172	12.7
Oth Fabricated Metal Prods.	1,121	16.7
Major HH Appliances	1,073	33.2
Furniture	1,067	22.0
Machine Tools	1,066	17.8
Total All Commodities	94,080	19.9

The prospect of dollar related growth in exports could well be dampened by slowing economies overseas. Canada, the U.K., Australia and New Zealand (along with the U.S.) are all experiencing softer economies, while leading indicators in most other industrialized countries (Germany is the notable exception) are pointing to an easing of growth in the next few months. While the combination of reduced imports and the gradual pickup in exports should help reduce the trade deficit, the overall growth in trade will probably remain sluggish at least through the first half of 1991.

EMPLOYMENT
(Seasonally Adjusted)

	1990				1989	Yr-Over-Yr
	Oct	Sep	Aug	Jul	Oct	% Change
Civilian employment (000)	13,729	13,747	14,010	13,995	13,955	-1.6
Unemployment (000)	884	869	806	756	718	23.1
Unemployment rate	6.0	5.9	5.4	5.1	4.9	--
Nonagricultural wage and salary employment a/ (000)	13,001.8	12,981.2	13,037.9	13,055.2	12,714.4	2.3
Mining	39.5	39.8	40.2	40.6	40.2	-1.7
Construction	663.1	661.5	672.5	681.7	674.5	-1.7
Manufacturing	2,130.1	2,129.1	2,135.3	2,141.9	2,154.9	-1.2
High technology b/	n.a.	688.1	692.6	697.5	717.0	--
Transportation and public utilities	637.5	635.4	640.1	636.5	618.9	3.0
Trade	3,057.7	3,052.7	3,059.4	3,057.9	3,002.8	1.8
Finance, insurance, and real estate	855.7	855.4	856.3	854.9	842.6	1.6
Services	3,528.3	3,514.8	3,524.8	3,526.4	3,356.9	5.1
Government	2,089.9	2,092.4	2,109.2	2,115.3	2,023.5	3.3
Federal	349.7	352.1	361.6	371.8	355.0	-1.5
State and local	1,740.1	1,740.3	1,747.6	1,743.5	1,668.6	4.3

HOURS AND EARNINGS IN MANUFACTURING

	1990				1989	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
Average weekly hours c/	40.8	40.7	40.3	40.7	40.5	0.7
Average weekly earnings c/	$474.50	$468.86	$465.06	$467.64	$456.44	4.0
Average hourly earnings c/	$11.63	$11.52	$11.54	$11.49	$11.27	3.2

PRODUCTION

	1990				1989	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
Petroleum (000 barrels daily) c/	n.a.	948	950	948	990	--
Portland cement (000 short tons) c/	808.1	921.5	866.8	903.6	896.2	-9.8

TRADE
(Seasonally Adjusted)

	1990				1989	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
Retail sales ($ millions)	18,567	18,745	18,735	18,827	18,201	2.0
New auto registrations (number)	114,200	119,026	125,179	114,325	116,355	-1.9

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1990				1989	Yr-Over-Yr
	Oct	Sep	Aug	Jul	Oct	% Change
All Urban Consumers Series						
California Average	137.7	136.9	135.6	134.9	129.5	6.3
San Francisco CMSA	134.6	134.0	133.1	132.3	127.5	5.6
Los Angeles CMSA	138.7	137.7	136.3	135.6	130.0	6.7
Wage Earners and Clerical Workers Series						
California Average	134.0	133.1	132.0	131.3	126.4	6.0
San Francisco CMSA	133.6	132.9	132.0	131.3	126.7	5.4
Los Angeles CMSA	134.5	133.5	132.3	131.6	126.5	6.3

CONSTRUCTION

	1990				1989	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
Private residential housing units authorized (000) a/	136.2	155.7	159.8	177.1	221.4	-38.5
Single units	78.8	90.4	112.4	108.9	154.7	-49.1
Multiple units	57.5	65.3	47.5	68.2	66.7	-13.8
Residential building authorized valuation (millions) b/	$1,447	$1,680	$1,737	$1,815	$2,241	-35.4
Nonresidential building authorized valuation (millions) b/	$849	$911	$1,155	$1,114	$1,049	-19.1
Nonresidential building authorized valuation (millions) c/	$882	$1,027	$1,215	$1,290	$1,090	-19.1
Commercial	$359	$386	$516	$618	$484	-25.8
Industrial	87	117	141	163	111	-21.6
Other	109	143	160	144	128	-14.8
Alterations and additions	326	382	397	365	367	-11.2

VACANCY RATES FOR SEPTEMBER 1990
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				7.8
Oakland-East Bay	17.8	14.7	18.6	
Sacramento	14.7	7.4	17.1	
San Francisco	14.3	10.1	20.2	
San Jose	13.1	17.3	12.0	
Southern California				8.0
Bakersfield	22.4	31.6	18.2	
Los Angeles	17.5	15.7	17.9	
Orange County	21.8	--	21.8	
San Diego	20.4	15.4	21.8	
Ventura County	21.8	--	21.8	
National Average	19.5	17.0	20.5	6.9

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1989				1990			
Jan	$182,859	Jul	$201,653	Jan	$194,952	Jul	$194,099
Feb	190,197	Aug	199,385	Feb	197,184	Aug	193,292
Mar	194,697	Sep	198,743	Mar	196,621	Sep	190,350
Apr	201,034	Oct	193,734	Apr	197,107	Oct	188,060
May	201,021	Nov	193,581	May	196,094		
Jun	199,441	Dec	188,184	Jun	194,821		

LEADING INDICATORS a/

		Manufacturing Overtime Hours	Manufacturing Average Weekly Hours	New Business Incorporations
1989	Jan	3.8	40.7	5,536
	Feb	4.0	40.8	4,047
	Mar	3.8	40.9	4,627
	Apr	3.9	41.1	4,314
	May	3.8	40.6	5,266
	Jun	3.8	40.6	4,253
	Jul	3.9	40.7	4,018
	Aug	3.9	40.8	4,245
	Sep	3.9	40.5	3,799
	Oct	3.9	40.6	4,137
	Nov	3.8	40.7	4,463
	Dec	3.9	40.6	3,882
1990	Jan	3.9	40.5	5,064
	Feb	3.8	40.4	3,736
	Mar	3.8	40.6	3,913
	Apr	3.3	39.7	4,184
	May	3.9	40.5	4,376
	Jun	3.8	40.6	3,750
	Jul	3.8	40.7	3,722
	Aug	3.9	40.8	3,540
	Sep	3.8	40.8	3,053
	Oct	n.a.	n.a	3,598

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1989	Jan	50,928	236.5
	Feb	51,409	241.3
	Mar	52,776	238.6
	Apr	53,309	236.4
	May	53,875	258.6
	Jun	53,742	228.4
	Jul	53,102	238.2
	Aug	54,380	219.0
	Sep	53,651	221.4
	Oct	58,414	236.7
	Nov	52,481	235.9
	Dec	48,722	260.7
1990	Jan	56,929	252.8
	Feb	56,162	230.1
	Mar	55,422	202.8
	Apr	57,682	179.6
	May	62,354	177.8
	Jun	60,587	177.1
	Jul	61,862	159.8
	Aug	63,886	155.7
	Sep	66,791	136.2
	Oct	72,274	n.a.

a/ Seasonally adjusted
n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1989	Jan	12,388	2,170	5.0	327
	Feb	12,431	2,169	5.1	326
	Mar	12,471	2,173	4.6	332
	Apr	12,436	2,162	5.3	325
	May	12,486	2,162	5.3	324
	Jun	12,566	2,168	5.5	314
	Jul	12,584	2,163	5.2	324
	Aug	12,641	2,168	4.6	332
	Sep	12,682	2,162	5.1	324
	Oct	12,714	2,155	4.9	328
	Nov	12,798	2,152	5.1	341
	Dec	12,833	2,148	5.3	304
1990	Jan	12,759	2,141	5.2	333
	Feb	12,818	2,143	4.9	342
	Mar	12,880	2,148	5.2	350
	Apr	12,890	2,144	5.4	347
	May	12,981	2,151	5.4	376
	Jun	13,001	2,151	4.9	355
	Jul	13,055	2,142	5.1	394
	Aug	13,038	2,135	5.4	372
	Sep	12,981	2,129	5.9	396
	Oct	13,002	2,130	6.0	433

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1988	Qtr I	517,738	80,535	61,460
	Qtr II	523,719	80,913	62,027
	Qtr III	546,357	84,521	62,924
	Qtr IV	555,072	84,209	64,470
1989	Qtr I	563,515	85,726	65,456
	Qtr II	574,249	86,141	67,577
	Qtr III	587,873	87,422	69,375
	Qtr IV	591,121	89,650	69,424
1990	Qtr I	607,504	90,052	70,614
	Qtr II	613,086	90,121	70,597
	Qtr III	628,452	90,694	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: c/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV b/	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125

		Electricity Production (Million KWH)
1989	Jan	10,957
	Feb	11,807
	Mar	11,319
	Apr	11,005
	May	10,012
	Jun	10,892
	Jul	11,234
	Aug	10,928
	Sep	11,339
	Oct	10,787
	Nov	10,894
	Dec	10,769
1990	Jan	10,462
	Feb	8,823
	Mar	8,934
	Apr	9,077
	May	9,365
	Jun	9,395
	Jul	9,866
	Aug	9,907

a/ Seasonally adjusted b/ Not available. See note on next page. c/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

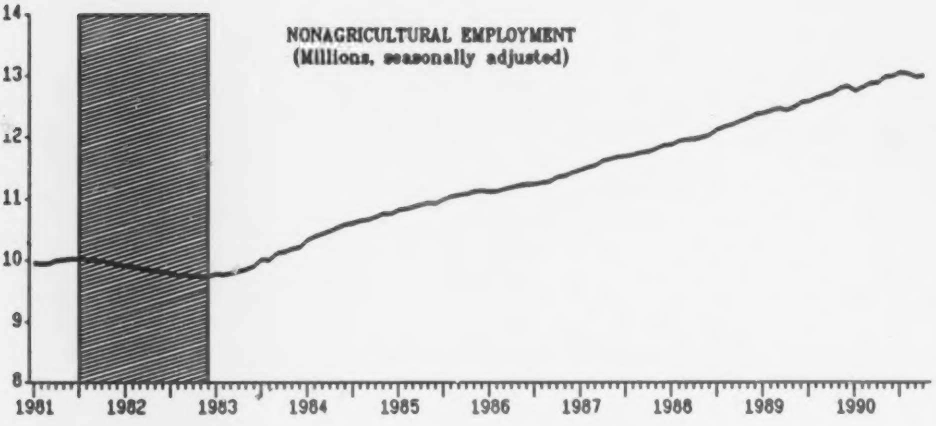
Taxable Sales

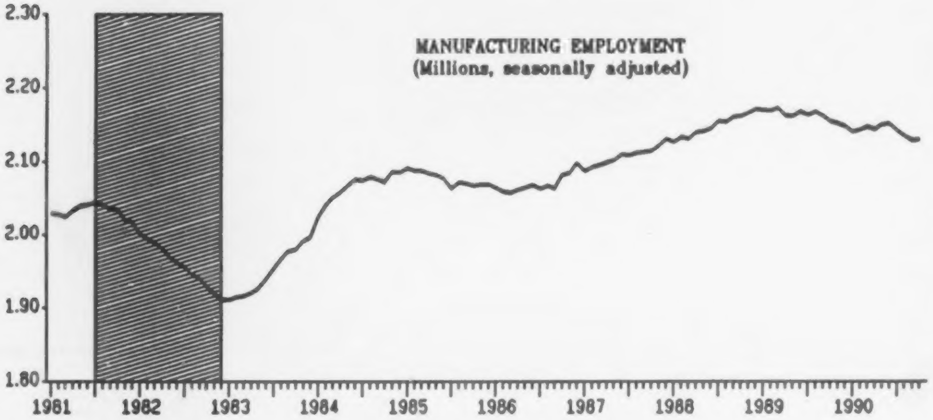
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

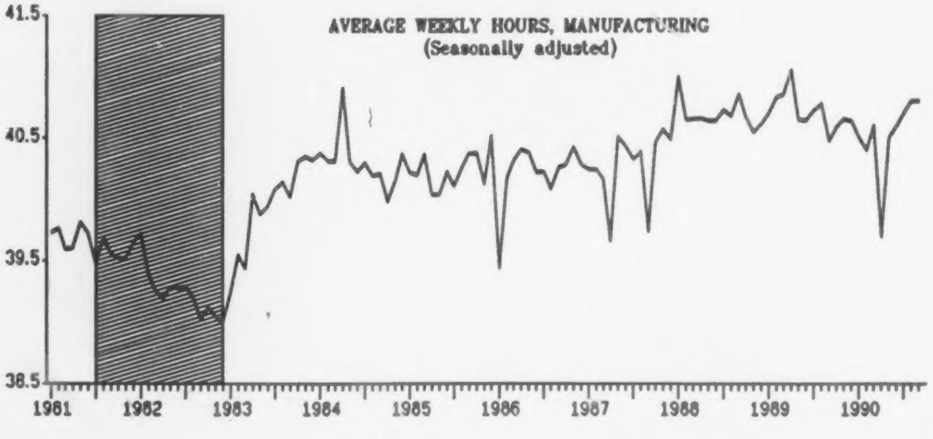
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

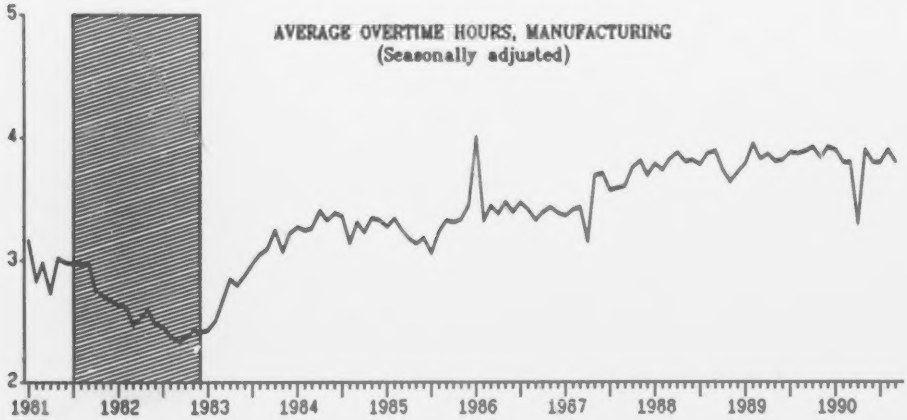
A NOTE ON PRIME CONTRACT AWARDS

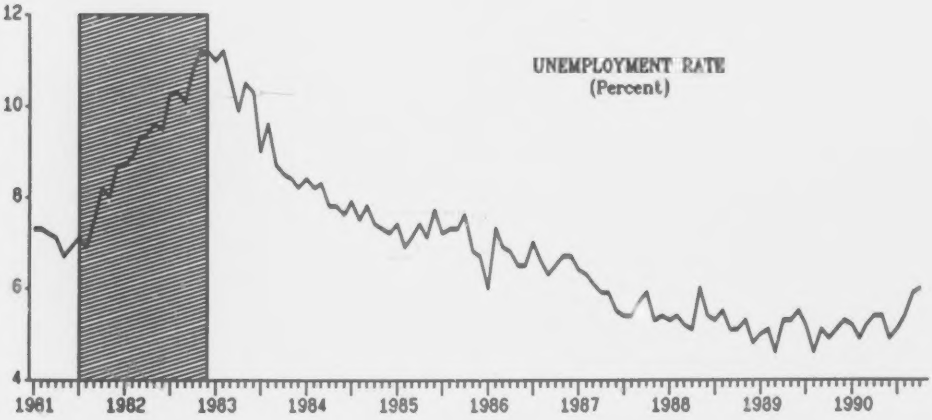
Due to a change in the collection of data, the U.S. Department of Defense will not be publishing Prime Contract Awards by State for the first half of U.S. fiscal years 1989 and 1990. The publication will be resumed in 1991. Since the first-half data are necessary for deriving the quarterly series, the graph will be temporarily discontinued. In the Economic Data section, we will provide fiscal year totals and quarterly updates whenever available.

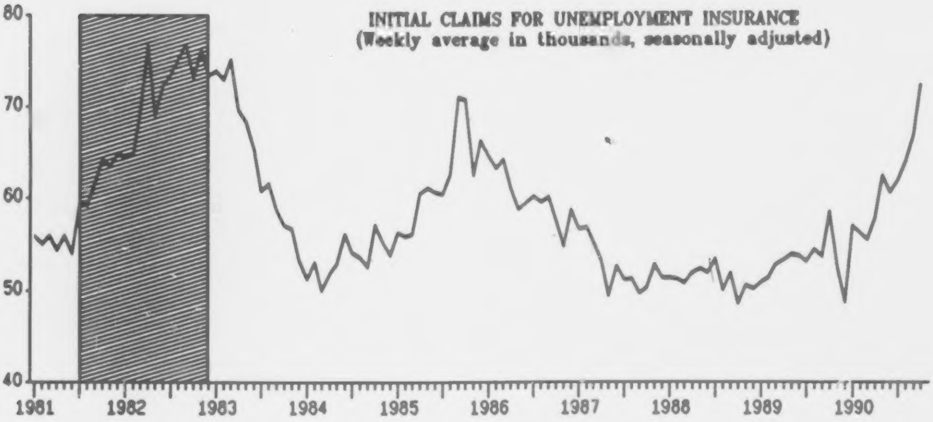

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

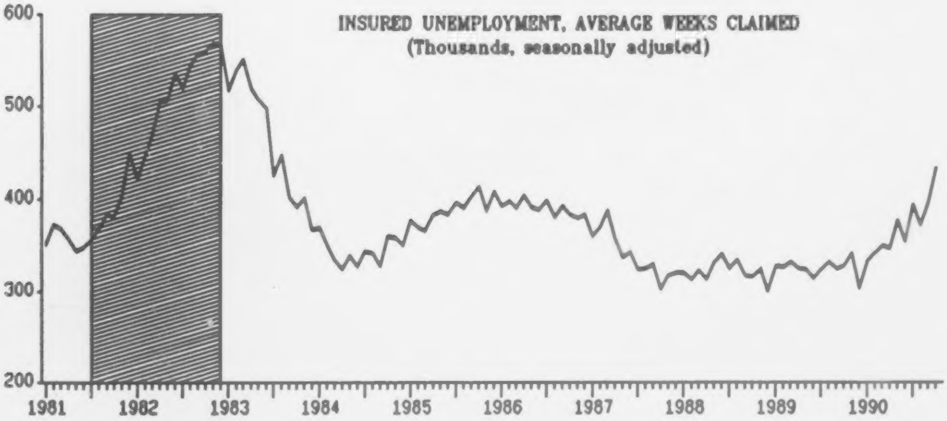

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

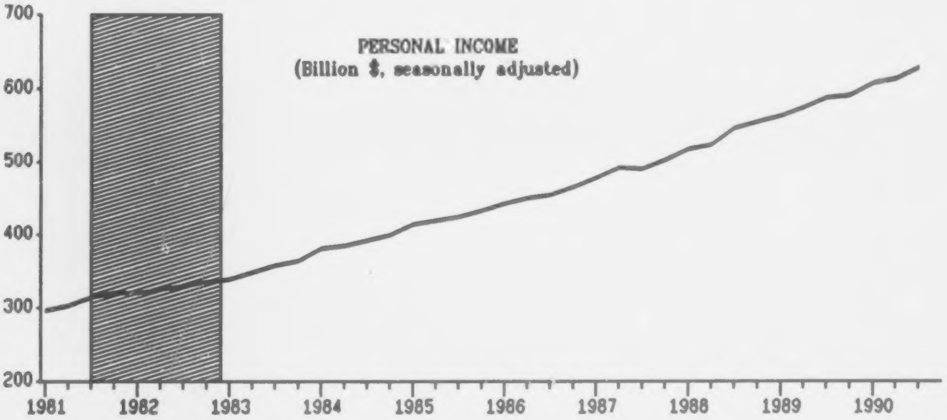

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

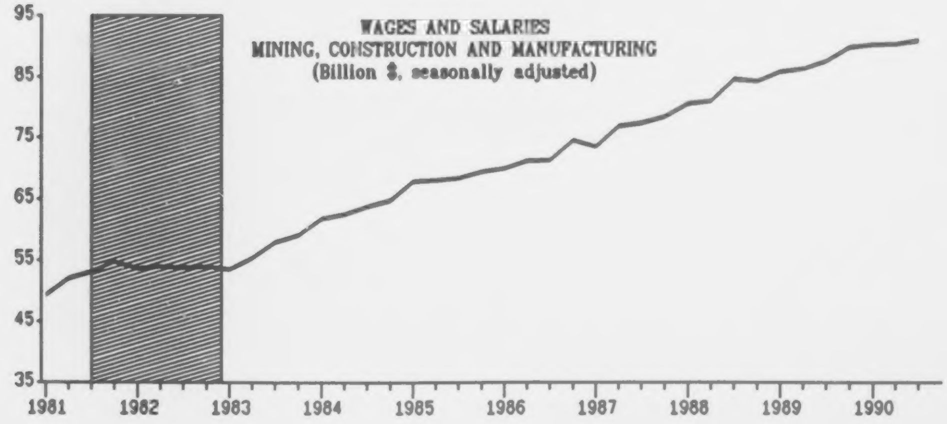

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

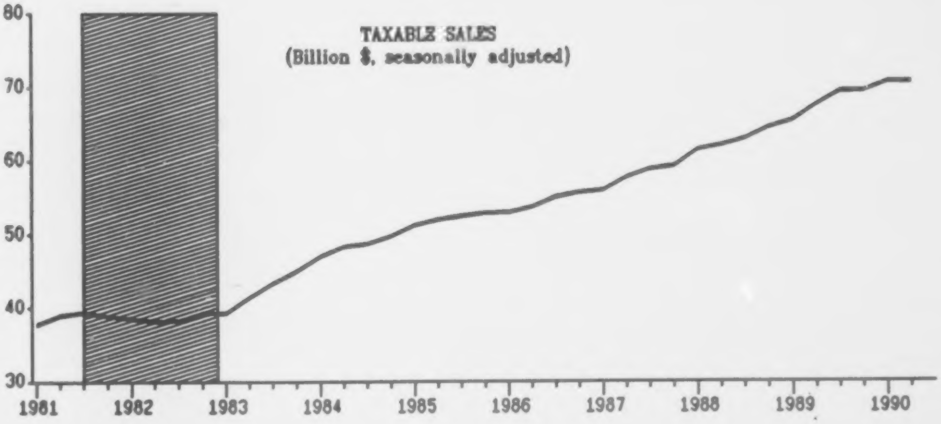

UNEMPLOYMENT RATE
(Percent)

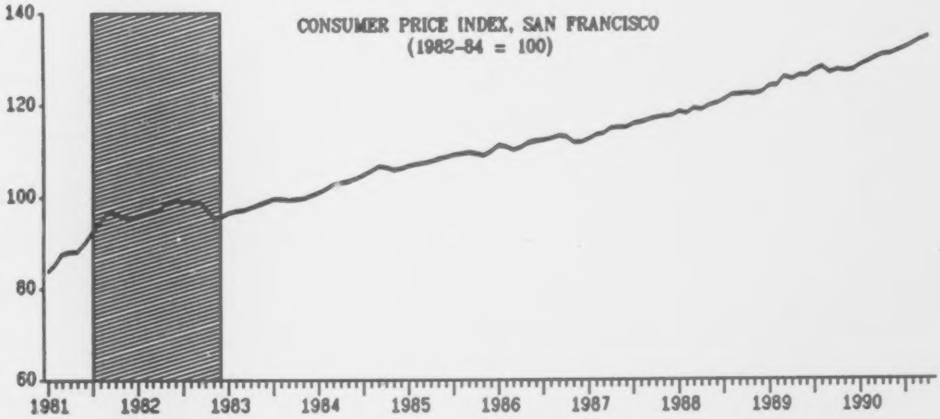

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

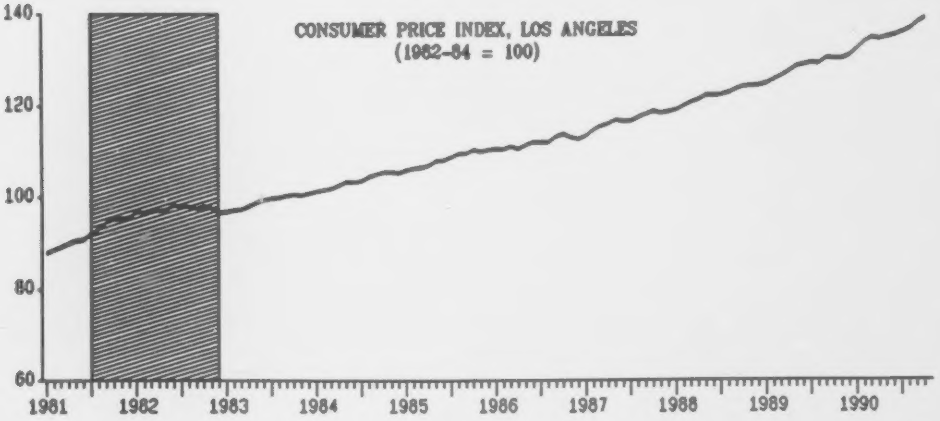

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

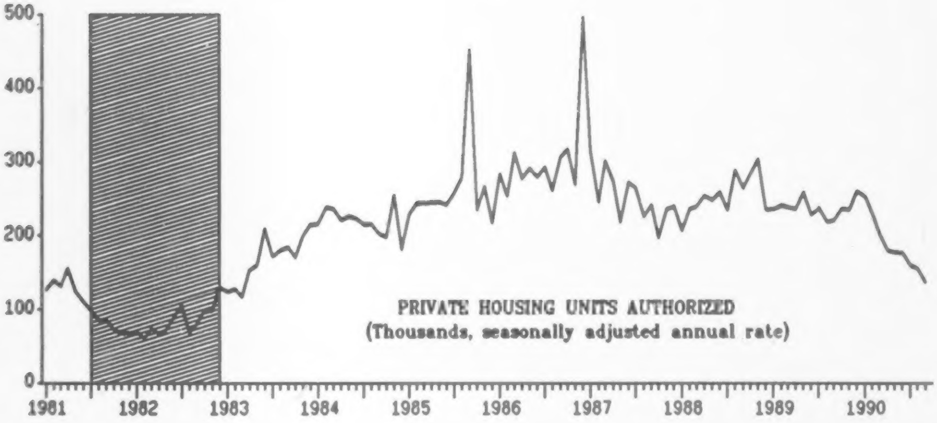

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

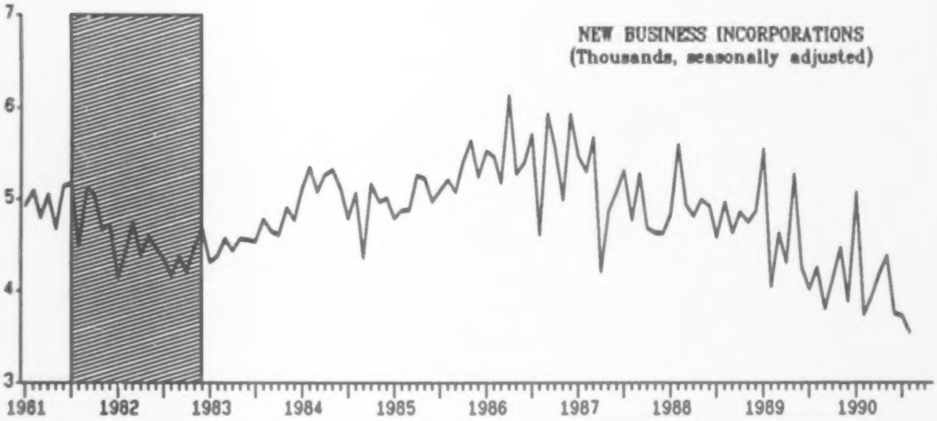

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

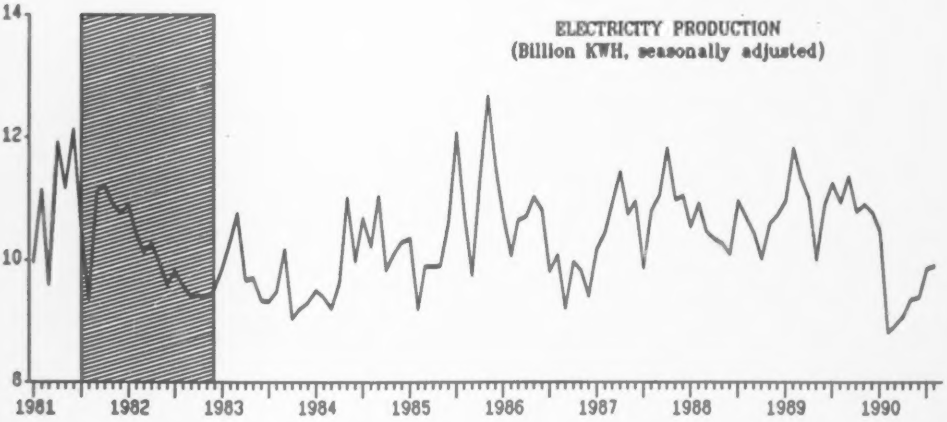

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
140
120
100
80
60
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

1980--continued

April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

1981--Continued

September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

1982--continued

April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

CHRONOLOGY--Continued

1982--Continued

	highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

1987--Continued

January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

1987--Continued

May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 2	Iraq invades Kuwait.
September 9	California population reaches 30 million according to California Department of Finance.

1990--Continued

November 30	Index of leading indicators declines for fourth month in a row.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data
Construction Industry Research Board	Housing units authorized Construction valuation

CALIFORNIA ECONOMIC INDICATORS
January/February 1991

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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California Department of Finance
P.O. Box 151
Sacramento, CA 95801

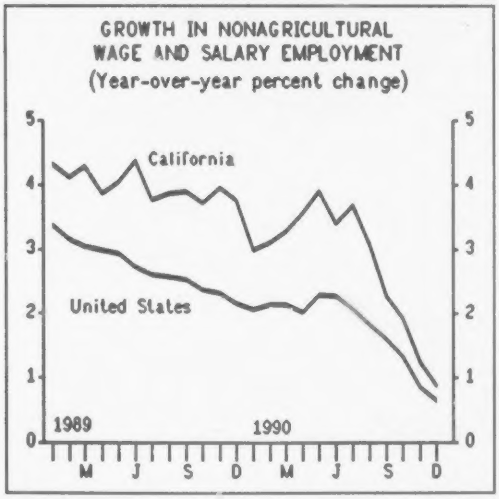
Please make checks payable to the California Department of Finance.

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California is clearly feeling the impact of the national recession. Employment has been declining since mid-1990, and the jobless rate has jumped to over 7 percent, the highest since 1986. Retail sales are running about 3 percent ahead of the year earlier pace, a gain far short of the recent 5 to 6 percent inflation rate. Homebuilding has fallen by half, to a 100,000 unit annual rate in November, from over 200,000 units as recently as last March.

Moreover, in recent months California's traditional growth advantage over the rest of the nation has begun to narrow. After declining in five of the last six months of 1990, nonagricultural employment in California was up only 0.8 percent in December from the comparable year earlier level, about the same as the national increase of 0.7 percent. In 1989, by contrast, California's 4 percent employment gain was more than a percentage point better than the U.S. performance.

The recent narrowing in California's "growth spread" mainly reflects developments in the construction and real estate sectors. Until last spring, California's housing industry had for the most part avoided the homebuilding slump evident in the national statistics since 1987. In recent years, California had been building around a quarter million houses a year, with annual volume affected more by permit fee and regulatory changes than underlying market conditions.



Essentially, the suddenness of last year's housing slump telescoped into a few months in California what had been a long, gradual decline for the rest of the nation.

The effects of the housing downturn go well beyond the construction industry, which in California has suffered a near-10 percent drop in jobs over the past year. Furniture manufacturing employment is down almost 11 percent, lumber and wood products are off 9 percent, stone-clay-glass 4 percent and real estate by a similar percentage. Within retail trade, employment at building materials outlets is down 4-1/2 percent since December 1989.

In addition, California is also feeling the impact of the national decline in nonresidential construction, centered mainly in the commercial office and hotel segments.

CALIFORNIA EMPLOYMENT DURING 1990
(Thousands)

	Dec. 1990 Number	% Change Dec. 1989
TOTAL NON-FARM	13,118	+ 0.8
PRIVATE NON-FARM	10,998	+ 0.5
GOODS PRODUCING	2,780	- 3.9
Mining	40	- 2.7
Construction	633	- 9.6
Manufacturing	2,107	- 2.0
Nondurable goods	742	+ 3.9
Food Processing	189	+ 8.9
Apparel	142	+ 8.0
Durable goods	1,365	- 4.9
High Technology	681	- 4.5
Furniture	54	- 10.8
Lumber	65	- 9.0
SERVICE PRODUCING	10,339	+ 2.2
Transport/Utilities	649	+ 3.3
Trucking	173	+ 6.3
Trade	3,121	- 0.3
Wholesale	781	- 0.9
Retail	2,340	- 0.1
Financial	852	- 1.0
Deposit Institutions	282	- 0.8
Real Estate	208	- 4.2
Services	3,597	+ 4.7
Business Serv.	783	+ 6.2
Motion Pictures	136	+ 10.7
Amusements	159	+ 5.8
Government	2,120	+ 2.7
Federal	351	- 1.7
State	386	+ 2.8
Local	1,383	+ 3.8

Because construction, and homebuilding in particular, seems to be the source of the recent narrowing of growth differentials between the state and the nation, it follows that a recovery in housing should help restore California's traditional performance advantage. The state's population growth remains robust, and apart from a few scattered areas, there was little evidence of overbuilding when the slump began early last year. In most areas, inventories are being cleared, albeit often at reduced prices. Lower interest rates are also helping to improve affordability. Of course, diminished consumer confidence, associated with the Persian Gulf war, and the inability to sell the currently owned house at peak 1989 market values are also contributing to the housing downturn.

Credit Crunch? Many builders indicate that tighter lending standards have contributed to the building slump. Indeed, by late 1989 many major lenders were cutting back their credit lines to builders, often in response to slower sales and rising unsold inventories. At the same time however, lenders were no doubt influenced by the regulatory requirement to increase capital-to-asset ratios. With financial share prices depressed--making new equity difficult and expensive to raise--most lenders had little choice but to slow growth in assets (loans) and in some cases even shrink their balance sheets in order to comply with the tougher capital standards. On top of these restraints on reasonably healthy institutions, overall industry capacity was obviously reduced by the growing number of savings and loan failures.

Real estate related problems reported by California lenders arose mostly in commercial ventures and mostly outside the state. Of course, to the extent that bad loans made in Arizona or Texas have inhibited the ability of California institutions to support local builders, the notion that "it didn't happen here" provides little comfort. However, the fact that there have been very few loan losses in California residential real estate should also help hasten the recovery. Once lenders are in a position to expand again, they will naturally seek out those markets which from past experience promise the best combination of return and risk.

The belated recognition by the Federal Reserve that the new capital requirements amounted to nothing less than a massive tightening of monetary policy should soon be followed by an easing of credit conditions which will allow that much needed expansion of lending. The recent easing of monetary policy, evidenced not so much by the decline of short term interest rates, but by the injection of reserves into the banking system, should set the stage for a pickup in lending and perhaps by spring or early summer, a recovery in homebuilding.

In the meantime, lower interest rates may already be helping to stabilize the existing home market. The California Associations of *Realtors* indicates that in the fourth quarter home sales held at about a 400,000 annual rate, while prices were little changed at around the $190,000 mark.

Affordibility remains a problem, especially in the coastal regions of the state, and the housing recovery should initially focus on lower priced units. With the benefit of hindsight, it is now clear that part of the housing industry's problem in the late 1980s was an over emphasis on the pricey "move up" market. The steady decline in homeownership rates among California families suggests that even given aging demographics, there remains strong potential demand for entry level housing.

Bright Spots. The housing sector aside, the diversity of California's economy continues to serve it well, even in recession. During 1990, manufacturing employment declined by 2 percent, but this was less than the 3 percent drop experienced nationally. High technology industries were affected by the drop in defense spending and by the need to cut costs in the commercial aircraft segment. But employment in computer manufacturing managed a 3 percent gain, aided by successful new products and by a rising U.S. share of world electronics markets. Nondurable goods manufacturing actually increased almost 4 percent, boosted by apparel and food processing, both of which benefitted from international market conditions: reduced import competition in the case of apparel, increased exports in the case of foods.

California's large service sector also continues to provide a solid base for the economy. Diverse business services continue to record rapid growth. Hollywood is once again bucking the recessionary trend, with motion pictures posting a second consecutive year of double-digit employment growth in 1990.

The recession is indeed affecting the state's economy. But there is little in the recent statistics to suggest that the state's longer term economic advantage has been lost or even diminished.

OUTLOOK FOR THE U.S. AND CALIFORNIA

The forecasts detailed here were prepared in mid-November and were the economic assumptions used in the Governor's 1991-92 Budget, presented to the Legislature on January 10. As noted in the Budget, the current economic situation is quite uncertain. The forecasts assumed that a peaceful solution to the Persian Gulf crisis would be achieved by spring, 1991. Instead, the U.S. and its allies are now at war with Iraq. While allied success is virtually certain, no one can predict how long the conflict will last or what its economic effects will finally be.

In its initial stages the war is probably having a dampening impact on the economy. Air travel and tourism have been particularly hard hit. Retail sales have been affected, especially over the Martin Luther King holiday weekend. Most consumers continue to postpone major purchases of houses, cars and other "big ticket" items. Although a few firms have benefitted from increased Defense Department orders, for the most part the war is being fought "out of inventory", and this will probably continue to be the case for the next several months. Rebuilding of defense inventories, to the extent necessary, will probably be a several year process, and may be financed in part by reductions in other military outlays.

An early and successful conclusion to the conflict would no doubt contribute to a rebuilding of badly shattered consumer and business confidence, and thus help bring about an economic recovery. Hence the forecasts, which contemplate the beginnings of an upturn by mid-1991, are still quite plausible.

THE U.S. OUTLOOK

The national economic situation has weakened steadily over the past year, and it now appears that a recession began mid-1990. Mideast developments and sharp increases in oil and gasoline prices--as well as the buildup of forces in Saudi Arabia--heightened uncertainty. The downturn accelerated in the fourth quarter, as consumers and business deferred spending.

The developing business cycle has followed the typical path so far:

o Retail sales are down from year-ago levels, led by a sharp drop in new car sales.

o Housing starts have fallen to levels last seen in the 1981-82 recession.

o Industrial production is on a downtrend.

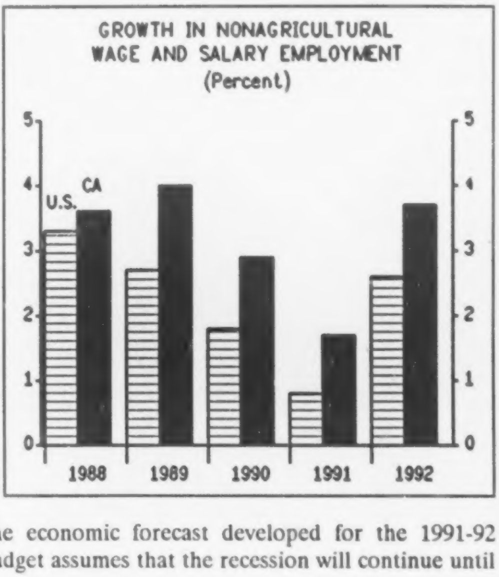
o Employment gains are shrinking, led by declines in manufacturing and construction.

o The unemployment rate is rising.

There is one significant difference from prior downturns: inflation at this point is moderate.

Consumers had contributed much of the support for the eight-year expansion. By the start of 1990, however, there were signs that consumer spending was slackening, especially for big ticket items. Mideast developments from August on created uncertainties which were reflected in a plunge in consumer confidence. Higher oil prices, rising gasoline prices, the call up of reserves, the massive federal budget deficit and stubbornly-high interest rates on installment purchases combined to reign in spending.

Plant layoffs spread as industrial production fell. Initial claims for unemployment insurance passed the 500,000 mark. Commodity prices eased in the face of weaker demand.



The economic forecast developed for the 1991-92 Budget assumes that the recession will continue until next spring. The downturn is expected to be moderate, with only a 1 percent decline in real gross national product from the peak quarter to the trough. Recovery gets underway in the second half of 1991, and by late 1992 the economy is on a renewed expansion path.

A number of assumptions underlie the forecast:

- o The Mideast situation will be resolved by spring without military action.
- o Oil prices will decline to the $23-$25 range by late 1991. Gasoline will average $1.20 to $1.25 per gallon at that time.
- o The Federal Reserve will ease interest rates further. Mortgage rates will fall to 9 percent by summer.

Real GNP is forecast up 0.3 percent for 1991. Recovery in 1992 brings growth for that year up to 3.3 percent.

Declines in consumer goods purchases are widespread, with cars, furniture, apparel and small goods easing. Car sales, for instance, are forecast at 9.1 million for 1991. Part of this total reflects fleet sales to auto rental firms, however, suggesting that final sales to consumers are weaker than indicated by this total.

Investment is impacted by the lower level of housing starts and business reluctance to expand capital spending given the uncertainties existing. Housing starts, at 1.17 million this year, will be the lowest since 1982. A return to more normal levels of homebuilding will occur when consumer confidence improves, employment and income gains accelerate, interest rates decline, and earlier overbuilding is absorbed.

Significantly, however, business inventories are not expected to magnify the recession. Inventory controls have been improved to avoid disruptive stock accumulations when sales weaken.

The nation's foreign trade balance is expected to remain at the 1990 level. The offsetting effects of a weak US dollar and deteriorating business conditions for major trading partners will dampen demand for U.S. products. Import growth has slowed with the onset of recession, but not enough to bring about major improvement in net exports.

Federal government spending is forecast down in real terms, reflecting efforts to reduce the federal budget deficit. The Mideast situation could result in higher spending, however, if no resolution is reached within a few months.

The slowdown in the economy will curb employment gains. Nationally, wage and salary employment is expected to rise by 0.8 percent. Declines in manufacturing and construction will be offset by a moderate gain in services. The jobless rate is forecast at 6.3 percent for 1991, with a peak of about 6-1/2 percent. By the end of 1992 joblessness should have fallen below 6 percent.

Personal income is forecast up 5.2 percent this year. After adjusting for inflation, the gain will be only 0.7 percent, the smallest growth since 1982. Corporate profits are expected to fall by nearly 9 percent.

Inflation saw a temporary surge with higher gasoline and fuel oil prices after the Iraqi invasion of Kuwait. More recently, inflation indexes have eased to the 4-1/2 to 5 percent range--the forecast for the consumer price index for 1991 is 5.0 percent. This is still above the level sought by the Federal Reserve, suggesting that interest rates will be raised after the economy is firmly on the recovery path.

SELECTED US ECONOMIC DATA
(Dollars in Billions)

	1990	1991	1992
Real gross national product ($82)	4157.4	4171.7	4310.9
% change	1.0	0.3	3.3
Personal income	4644.6	4887.2	5220.1
% change	5.9	5.2	6.8
Corporate profits before taxes	306.6	279.9	327.1
% change	-0.4	-8.7	16.9
Nonagricultural wage and salary employment (mil.)	110.4	111.3	114.2
% change	1.8	0.8	2.6
Unemployment rate (%)	5.5	6.3	6.0
Housing starts (mil.)	1.23	1.17	1.42
% change	-11.6	-4.8	21.3
New car sales (mil.)	9.5	9.1	9.8
% change	-4.3	-4.6	8.3
Consumer price index (1982-84 = 100)	130.7	137.2	142.3
% change	5.5	5.0	3.7

Note: 1990 estimated from data available as of Nov. 18, 1990.
Percent changes calculated from unrounded data.

THE CALIFORNIA OUTLOOK

The national downturn in economic activity is being felt in California. Although the state continues to outperform the nation by most measures, the summer months witnessed a gradual slowing of activity, followed by a sharper dropoff toward the end of last year.

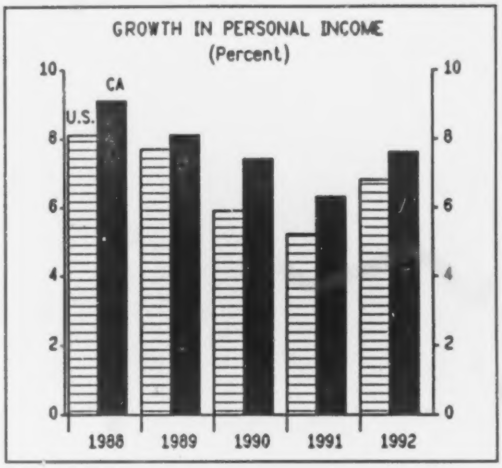
That California is affected by the national economic situation is quite normal. The state accounts for more than 13 percent of the nation's output and the composition of the state's economy in many respects mirrors the U.S. as a whole. California consumers are much the same as most other Americans in their spending patterns and attitudes. In the business sector, California also shares with most other areas an excess supply of commercial office, hotel and retail space, although the state avoided the massive overbuilding evident in some parts of the Southwest.

However, even during this period of economic weakness, it appears that California will maintain its traditional performance margin over the nation as a whole. Specifically:

- Employment gains, while slowing from the 3-1/2 to 4 percent pace of recent years, will continue to be above the national average. Following 1990's near 3 percent gain, non-agricultural wage and salary employment is expected to increase a little over 1-1/2 percent this year and resume a more normal 3-3/4 percent growth in 1992.

- Reflecting California's faster population growth, the jobless rate may be somewhat higher than the national average during 1991 and 1992. However, given the volatility of the state jobless rate, the late 1990 surge in unemployment (to 7.1 percent in December) may somewhat overstate the situation, and unemployment should settle into the mid-6 percent range for much of this year, before dropping below 6 percent again in 1992.

- Personal income growth is expected to slow to 6.3 percent in 1991 from almost 7-1/2 percent in 1990, but will still be about a percentage point more than the expected gain in U.S. income. Growth in 1992 at a little more than 7-1/2 percent is also close to a percentage point better than the U.S. average.


GROWTH IN PERSONAL INCOME
(Percent)

- For the first time since 1960, the current downturn in economic activity is occurring without a sustained rise in the rate of inflation. Even last year's spike in gasoline prices added only a modest 1/2 percentage point to consumer prices. In California, consumer prices, after increasing 5-1/2 percent in 1990, are expected to rise 5 percent in 1991 and only 4 percent in 1992. Average wage increases are forecast to remain near last year's 4.3 percent gain during both 1991 and 1992.

Housing and aerospace manufacturing are two sectors which may be an extra drag on the state's economy over the next year or two. Aerospace is being affected by the cutbacks in Department of Defense procurement budgets and by the competitive situation in the commercial airplane market. Aerospace, which includes aircraft, missiles and space vehicles and navigation and detection instruments, has not been a contributor to the state's economic growth since the mid-1980s. Defense contract awards peaked in 1985, and the subsequent downturn in manufacturing activity first became evident in 1987 Strength in the commercial sector sheltered aircraft manufacturers from the full effects of the defense cutbacks until early last year. But the need to reduce costs in this competitive industry has been reflected in a declining trend of aircraft manufacturing employment since the middle of 1990.

Although defense procurement cuts are likely to continue for the foreseeable future, the state is probably now feeling the maximum impact on employment and payrolls. This is because most major employers are taking steps early to reduce overhead costs, often by trimming management staffs which in the past has occurred only after production workforces have been slashed. The forecast assumes a 5 percent drop in aerospace jobs in 1991, about the same as last year, with the job loss pared to about 2 percent in 1992.

While it is tempting to compare the current situation to the severe cutbacks which occurred in the late 1960s and early 1970s, which resulted in a sustained period of below average growth in California, there are several key differences. Aerospace, and the defense portion in particular, is about half as important to the state's overall economy than it was in the mid-1960s. The commercial sector, while needing to become more efficient, has huge order backlogs and should provide a solid base for the aircraft industry for many years to come. Finally, the Vietnam related defense cuts were also associated with the winding down of the Apollo space program. In contrast, space spending will continue to rise modestly in the 1990s.

Housing is the other area of concern, mainly because the sector had performed so well for such an extended period of time in the 1980s. Nationally, homebuilding has been in a slide since the middle of 1987. California, in contrast, enjoyed six consecutive years of 200,000 plus unit production from 1984 through 1989, accounting for 15 to 17-1/2 percent of the nation's housing output during that period.

The drop in homebuilding activity occurred quite suddenly last year, falling by half, from more than a 200,000 unit pace in February to an annual rate of only 100,000 units in November. Although there is some scattered evidence of excess supply of houses, overbuilding is not a major problem in most areas of the state. The combination of lower interest rates and more moderate house prices should produce the beginnings of recovery by this spring. Nonetheless, the large and sudden drop in permit volume will result in substantial cuts in construction employment in 1991. Also affected are lumber, furniture and stone, clay and glass manufacturing and the real estate segment of the financial services sector.

Continued gains in services, and by 1992, recovery in electronics manufacturing and wholesale and retail trade, are expected to partially offset the weakness in aerospace and construction, allowing the state's economy to continue to outpace the nation over the next two years.

SELECTED CALIFORNIA ECONOMIC DATA
(Dollars in Billions)

	1990	1991	1992
Personal income	621.9	660.8	711.1
% change	7.4	6.3	7.6
Corporate profits	50.8	53.0	57.3
% change	5.0	4.4	8.1
Taxable sales	283.0	300.7	326.3
% change	4.0	6.3	8.5
Nonagricultural wage and salary employment (thous.)	12957	13174	13663
% change	2.9	1.7	3.7
Unemployment rate (%)	5.5	6.2	5.6
Housing units authorized (thous.)	174	162	212
% change	-27.0	-6.7	30.7
New auto registrations (thous.)	1400	1414	1585
% change	-3.9	1.0	12.1
Consumer price index (1982-84 = 100)	135.0	141.8	147.4
% change	5.5	5.0	4.0

Note: 1990 estimated from data available as of Nov. 18, 1990.
Percent changes calculated from unrounded data.

EMPLOYMENT
(Seasonally Adjusted)

	1990				1989	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
Civilian employment (000)	13,617	13,622	13,729	13,747	13,854	-1.7
Unemployment (000)	1,038	974	884	869	773	34.3
Unemployment rate	7.1	6.7	6.0	5.9	5.3	--
Nonagricultural wage and salary employment a/ (000)	12,943.4	12,969.8	12,973.5	12,983.9	12,832.8	0.9
Mining	38.9	39.4	39.6	40.1	40.0	-2.8
Construction	622.5	631.4	639.0	644.2	688.5	-9.6
Manufacturing	2,106.1	2,110.5	2,120.4	2,124.9	2,148.2	-2.0
High technology b/	680.6	681.5	683.2	686.6	712.9	-4.5
Transportation and public utilities	642.3	640.0	639.9	638.0	621.9	3.3
Trade	3,013.0	3,033.6	3,037.6	3,039.6	3,022.9	-0.3
Finance, insurance, and real estate	848.6	847.2	846.7	849.7	856.8	-1.0
Services	3,576.5	3,579.3	3,562.8	3,549.9	3,414.6	4.7
Government	2,095.4	2,088.4	2,087.5	2,097.4	2,039.9	2.7
Federal	347.9	350.0	350.5	352.3	353.8	-1.7
State and local	1,747.5	1,738.4	1,737.0	1,745.1	1,686.1	3.6

HOURS AND EARNINGS IN MANUFACTURING

	1990				1989	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Average weekly hours c/	40.7	40.6	40.8	40.7	41.0	-0.7
Average weekly earnings c/	$474.97	$470.55	$473.28	$468.86	$461.25	3.0
Average hourly earnings c/	$11.67	$11.59	$11.60	$11.52	$11.25	3.7

PRODUCTION

	1990				1989	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Petroleum (000 barrels daily) c/	n.a.	965	953	948	981	--
Portland cement (000 short tons) c/	758.5	909.1	808.1	921.5	903.5	-16.0

TRADE
(Seasonally Adjusted)

	1990				1989	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Retail sales ($ millions)	18,776	18,797	18,567	18,745	18,210	3.1
New auto registrations (number)	130,934	121,940	114,200	119,026	124,277	5.4

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1990				1989	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
All Urban Consumers Series						
California Average	138.2	137.9	137.7	136.9	129.9	6.4
San Francisco CMSA	135.1	134.7	134.6	134.0	127.4	6.0
Los Angeles CMSA	139.2	138.9	138.7	137.7	130.6	6.6
Wage Earners and Clerical Workers Series						
California Average	134.6	134.3	134.0	133.1	126.7	6.2
San Francisco CMSA	133.9	133.7	133.6	132.9	126.6	5.8
Los Angeles CMSA	135.2	134.8	134.5	133.5	127.0	6.5

CONSTRUCTION

	1990				1989	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Private residential housing units authorized (000) a/	100.2	115.6	138.7	156.1	235.9	-57.5
Single units	65.1	78.3	79.9	91.1	160.3	-59.4
Multiple units	35.1	37.4	58.9	64.9	75.7	-53.6
Residential building authorized valuation (millions) b/	$1,251	$1,315	$1,477	$1,681	$2,335	-46.4
Nonresidential building authorized valuation (millions) b/	$981	$906	$937	$908	$1,063	-7.7
Nonresidential building authorized valuation (millions) c/	$922	$985	$973	$1,024	$995	-7.3
Commercial	$380	$345	$390	$384	$412	-7.8
Industrial	106	139	107	115	156	-32.1
Other	125	128	124	143	110	13.6
Alterations and additions	312	374	352	381	317	-1.6

VACANCY RATES FOR SEPTEMBER 1990
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				7.8
Oakland-East Bay	17.8	14.7	18.6	
Sacramento	14.7	7.4	17.1	
San Francisco	14.3	10.1	20.2	
San Jose	13.1	17.3	12.0	
Southern California				8.0
Bakersfield	22.4	31.6	18.2	
Los Angeles	17.5	15.7	17.9	
Orange County	21.8	--	21.8	
San Diego	20.4	15.4	21.8	
Ventura County	21.8	--	21.8	
National Average	19.5	17.0	20.5	6.9

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1989				1990			
Jan	$182,859	Jul	$201,653	Jan	$194,952	Jul	$194,099
Feb	190,197	Aug	199,385	Feb	197,184	Aug	193,292
Mar	194,697	Sep	198,743	Mar	196,621	Sep	190,350
Apr	201,034	Oct	193,734	Apr	~~197,107~~	Oct	188,060
May	201,021	Nov	193,581	May	196,094	Nov	192,280
Jun	199,441	Dec	188,184	Jun	194,821		

LEADING INDICATORS a/

		Manufacturing		
		Overtime Hours	Average Weekly Hours	New Business Incorporations
1989	Jan	3.8	40.7	5,536
	Feb	4.0	40.8	4,047
	Mar	3.8	40.9	4,627
	Apr	3.9	41.1	4,314
	May	3.8	40.6	5,266
	Jun	3.8	40.6	4,253
	Jul	3.9	40.7	4,018
	Aug	3.9	40.8	4,245
	Sep	3.9	40.5	3,799
	Oct	3.9	40.6	4,137
	Nov	3.8	40.7	4,463
	Dec	3.9	40.6	3,882
1990	Jan	3.9	40.5	5,064
	Feb	3.8	40.4	3,736
	Mar	3.8	40.6	3,913
	Apr	3.3	39.7	4,184
	May	3.9	40.5	4,376
	Jun	3.8	40.6	3,750
	Jul	3.8	40.7	3,722
	Aug	3.9	40.8	3,540
	Sep	3.8	40.8	3,052
	Oct	3.7	40.6	3,598
	Nov	3.7	40.4	3,176
	Dec	n.a.	n.a.	2,872

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1989	Jan	50,928	236.5
	Feb	51,409	241.3
	Mar	52,776	238.6
	Apr	53,309	236.4
	May	53,875	258.6
	Jun	53,742	228.4
	Jul	53,102	238.2
	Aug	54,380	219.0
	Sep	53,651	221.4
	Oct	58,414	236.7
	Nov	52,481	235.9
	Dec	48,722	260.7
1990	Jan	56,929	252.8
	Feb	56,162	230.1
	Mar	55,422	202.8
	Apr	57,682	179.6
	May	62,354	177.7
	Jun	60,587	177.1
	Jul	61,862	157.2
	Aug	63,886	156.1
	Sep	66,791	138.7
	Oct	72,274	115.6
	Nov	67,278	100.2
	Dec	67,808	n.a.

a/ Seasonally adjusted　　n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1989	Jan	12,388	2,170	5.0	327
	Feb	12,431	2,169	5.1	326
	Mar	12,471	2,173	4.6	332
	Apr	12,436	2,162	5.3	325
	May	12,486	2,162	5.3	324
	Jun	12,566	2,168	5.5	314
	Jul	12,584	2,163	5.2	324
	Aug	12,641	2,168	4.6	332
	Sep	12,682	2,162	5.1	324
	Oct	12,714	2,155	4.9	328
	Nov	12,798	2,152	5.1	341
	Dec	12,833	2,148	5.3	304
1990	Jan	12,759	2,141	5.2	333
	Feb	12,818	2,143	4.9	342
	Mar	12,880	2,148	5.2	350
	Apr	12,879	2,145	5.4	347
	May	12,973	2,152	5.4	376
	Jun	12,994	2,152	4.9	355
	Jul	13,048	2,142	5.1	394
	Aug	13,030	2,136	5.4	372
	Sep	12,970	2,129	5.9	396
	Oct	12,960	2,124	6.0	433
	Nov	12,957	2,116	6.7	452
	Dec	12,945	2,114	7.1	437

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1988	Qtr I	517,738	80,535	61,460
	Qtr II	523,719	80,913	62,027
	Qtr III	546,357	84,521	62,924
	Qtr IV	555,072	84,209	64,470
1989	Qtr I	563,515	85,726	65,456
	Qtr II	574,249	86,141	67,577
	Qtr III	587,873	87,422	69,375
	Qtr IV	591,121	89,650	69,424
1990	Qtr I	607,504	90,052	70,614
	Qtr II	613,086	90,121	70,597
	Qtr III	628,452	90,694	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: c/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV b/	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125

		Electricity Production (Million KWH)
1989	Jan	10,957
	Feb	11,807
	Mar	11,319
	Apr	11,005
	May	10,012
	Jun	10,892
	Jul	11,234
	Aug	10,928
	Sep	11,339
	Oct	10,787
	Nov	10,894
	Dec	10,769
1990	Jan	10,462
	Feb	8,823
	Mar	8,934
	Apr	9,077
	May	9,365
	Jun	9,395
	Jul	9,866
	Aug	9,907
	Sep	10,530
	Oct	10,338

a/ Seasonally adjusted b/ Not available c/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

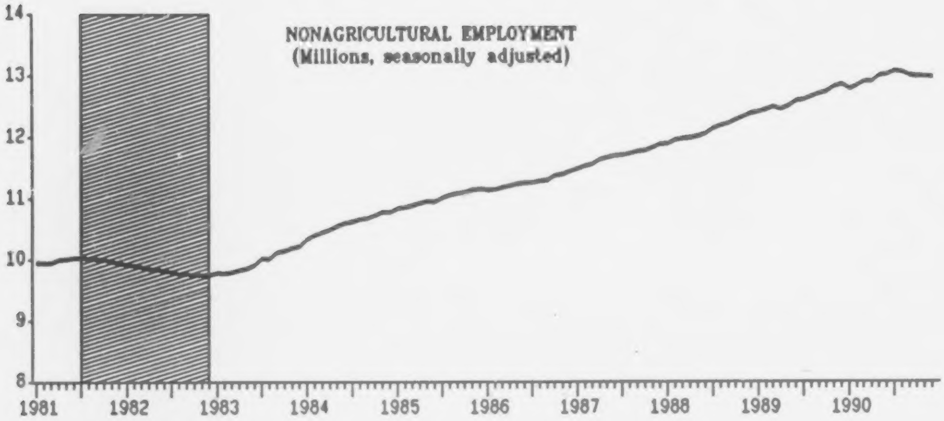
Manufacturing Employment

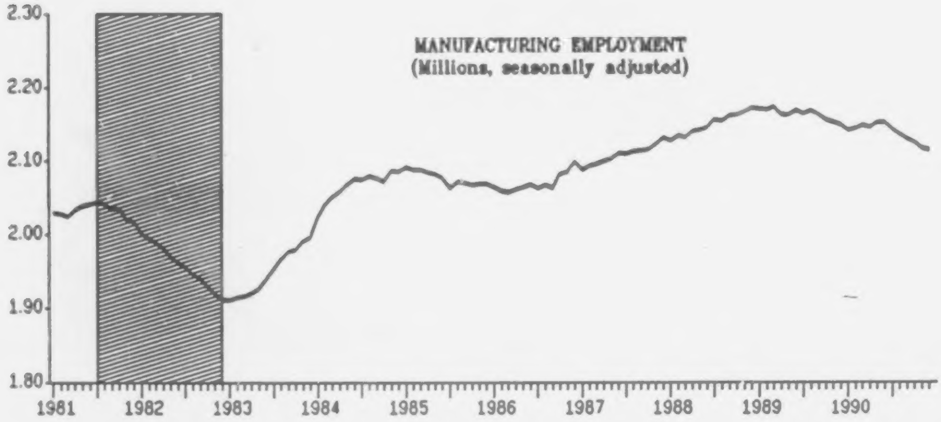
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

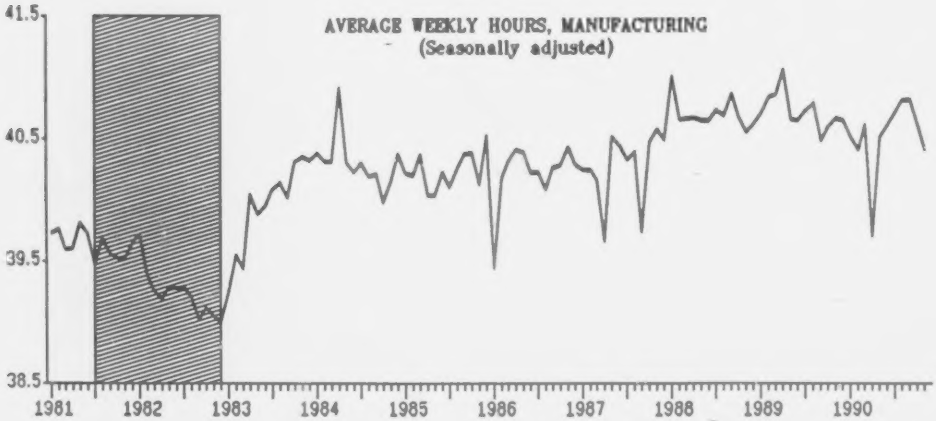
Taxable Sales

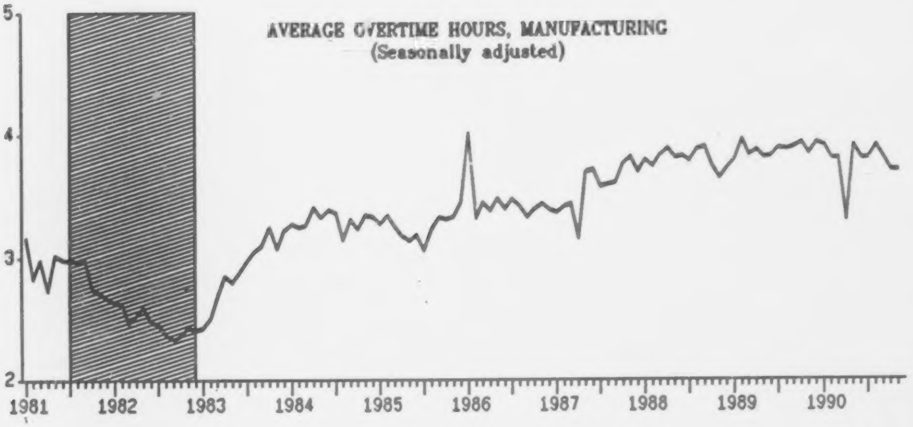
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

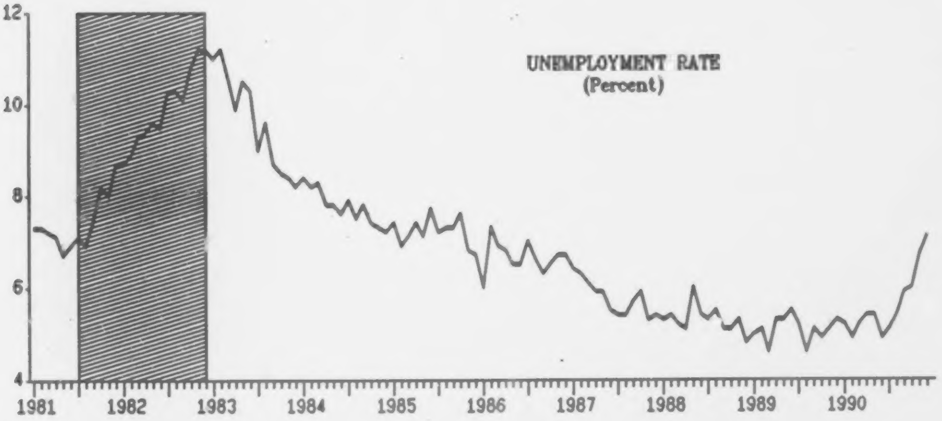
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

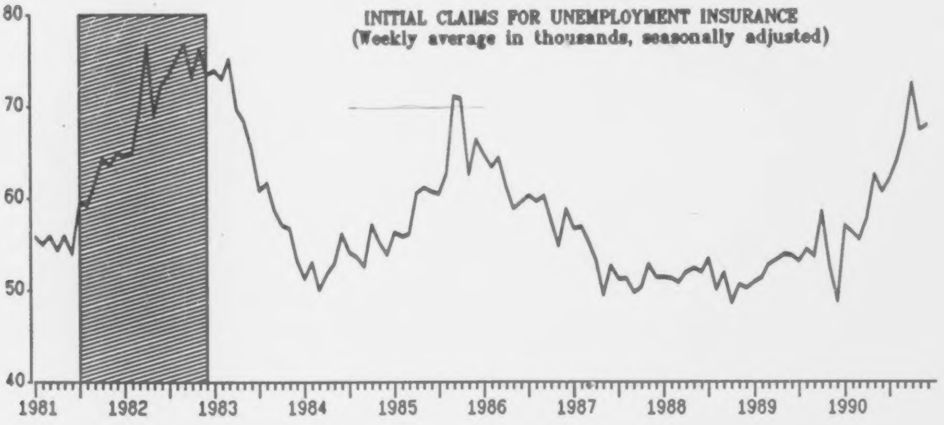

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

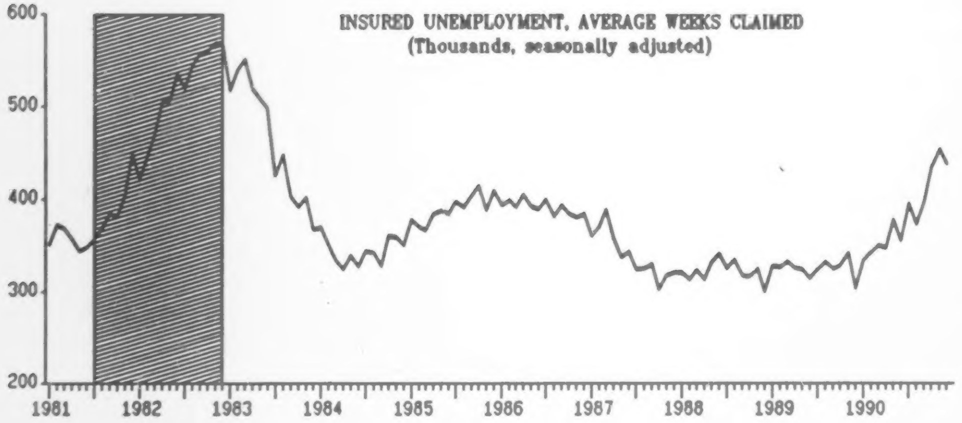

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

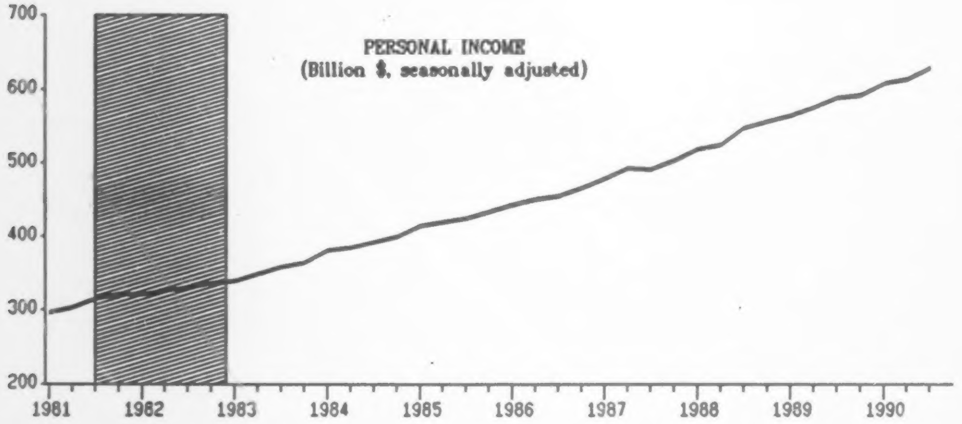

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

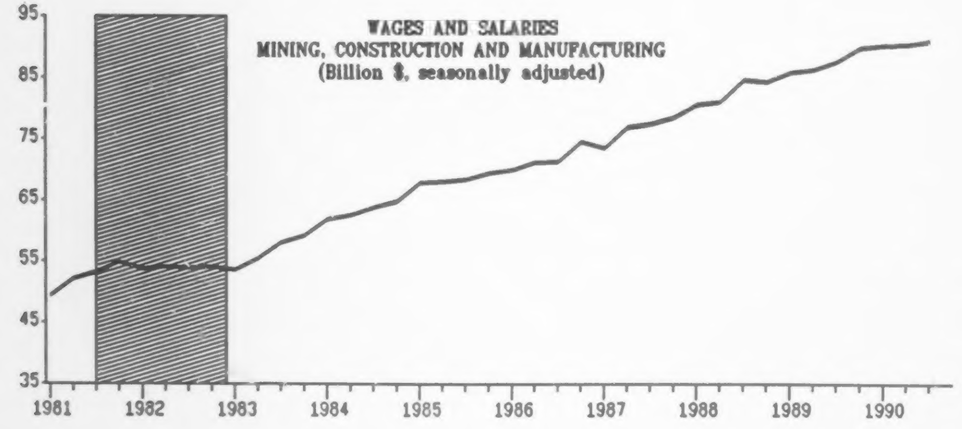

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

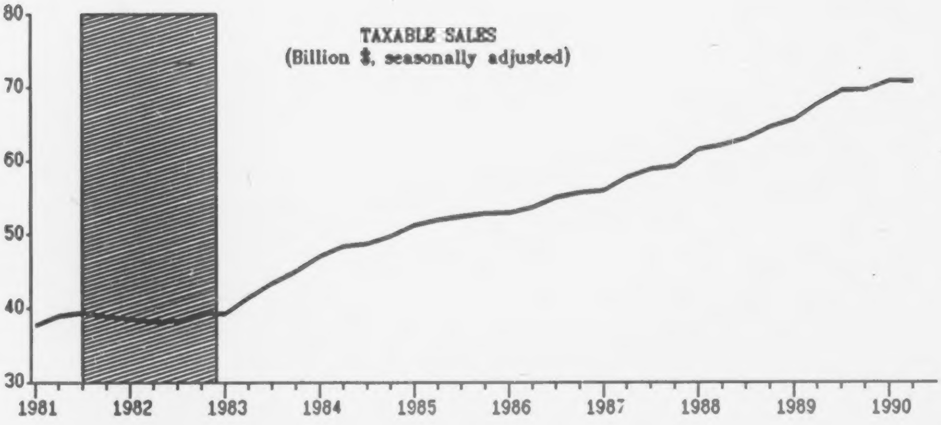

UNEMPLOYMENT RATE
(Percent)

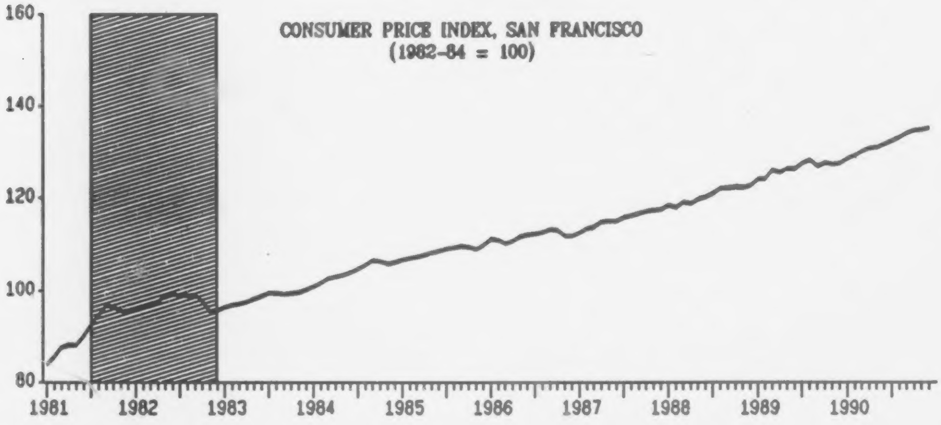

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

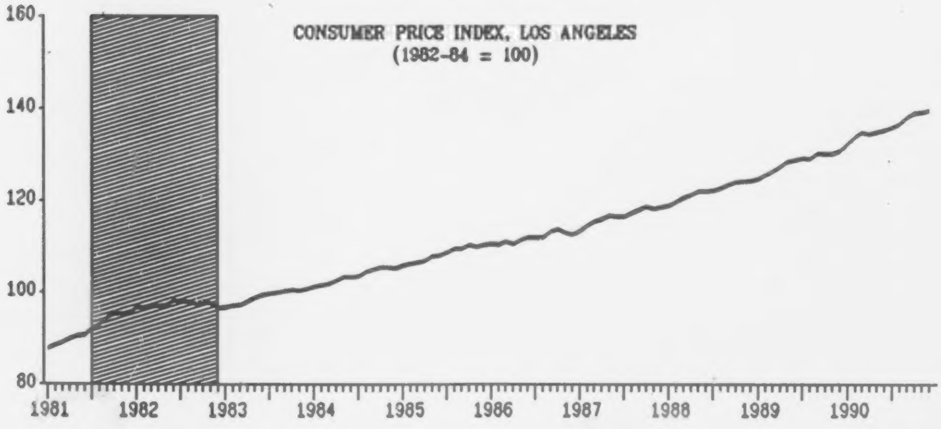

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

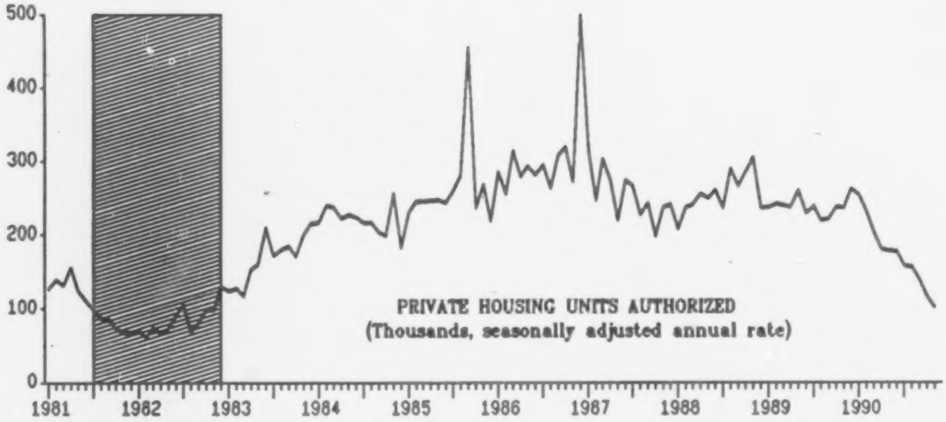

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

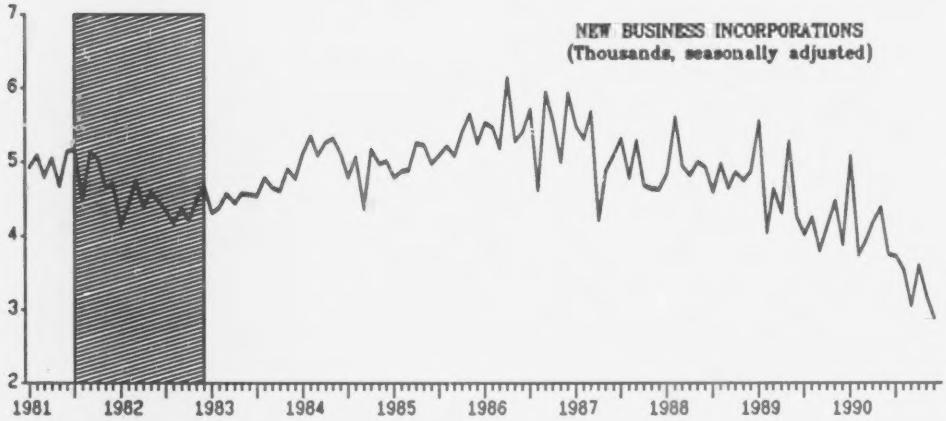

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

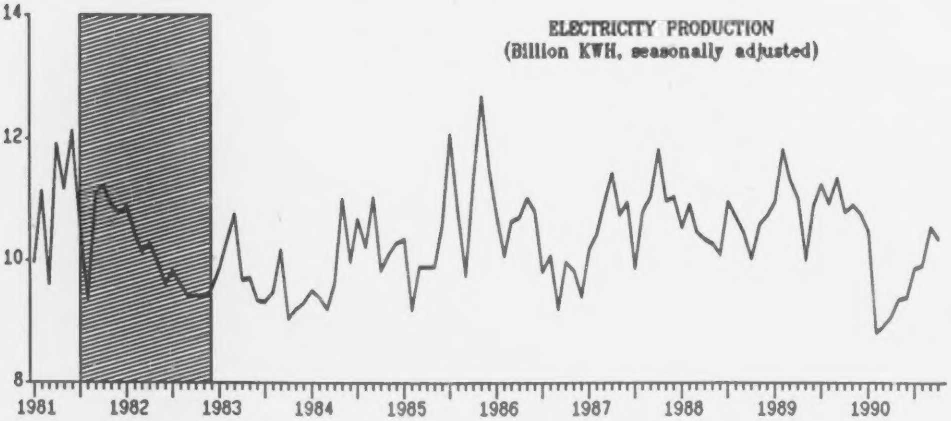

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
14
12
10
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

1980--continued

April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21- Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

1981--Continued

September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

1982--continued

April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

CHRONOLOGY--Continued

1982--Continued

	highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above [illegible]00 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27- December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

1987--Continued

January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt. The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

1987--Continued

May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent. Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 2	Iraq invades Kuwait.
September 9	California population reaches 30 million according to California Department of Finance.

1990--Continued

November 30	Index of leading indicators declines for fourth month in a row.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent. Prime rate reduced from 9-1/2 percent to 9 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

State of California:	
Board of Equalization	Taxable sales
Employment Development Department *Labor Market Information Division*	Civilian employment Unemployment Unemployment rate Hours and earnings
Unemployment Insurance Divsion	Unemployment insurance, initial claims and average weeks claimed
Department of Finance	Personal income Wages and salaries Nonagricultural employment
Department of Industrial Relations *Division of Labor Statistics and Research*	California consumer price index
Department of Motor Vehicles	New auto registrations
Secretary of State	New business incorporations
California Association of Realtors	Existing family home data
Coldwell Banker	Nonresidential vacancy rates
Conservation Committee of California Oil Producers	Petroleum production
Construction Industry Research Board	Construction data
Economic Sciences Corporation	Construction data
U.S. Department of Commerce Bureau of the Census	Retail sales
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
U.S. Department of the Interior Bureau of Mines	Cement production
U.S. Department of Labor Bureau of Labor Statistics	Consumer price indices

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CALIFORNIA ECONOMIC INDICATORS

March/April 1991

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Attention has been focused in the past two months on the two "Ws": war and weather. The quick resolution of the Persian Gulf war, which lasted only six weeks, eliminated one of the major uncertainties in the economy. Weather conditions may not have eliminated all the water supply concerns facing Californians, but they did go far to avert a potentially disastrous water shortage.

Unusually heavy rains in March put a significant dent in the drought. It is even more difficult now to estimate the economic impact of the December freeze and drought on the economy overall. Some of the more immediate pressures on agriculture have certainly been eased by the rains and the prospect of a good Spring runoff. Freeze damage to orchards is still being evaluated. Without doubt the citrus crop--primarily naval oranges--was severely affected. Some orchards have undoubtedly been lost, while others may recover as the year progresses. Beyond this, planting decisions for field crops are still being made. There have been suggestions, however, that agricultural production overall may not see a decline of the magnitude anticipated earlier this year. One thing that does seem fairly certain: consumers will feel the freeze/drought for several months in higher prices.

Overall, nonagricultural wage and salary employment was at a seasonally adjusted 12,936,600 for February. The year-over-year increase of 1 percent masks the fact that the number of jobs in the state is flat to down since the August 1990 peak. Almost every sector is feeling the effects of the recession, with weakness concentrated primarily in the goods producing industries--construction and manufacturing.

Homebuilding activity continues very weak. The number of new units authorized has run at about a 100,000 unit pace from November through February. One encouraging sign is the resale of existing units. Data from the California Association of *Realtors* indicate that the slump may be nearing an end. February saw a significant upturn in both potential buyers and actual sales in many parts of the state. These are generally precursors to a rise in new home construction.

The end of the Persian Gulf war can only strengthen the outlook for housing, removing a major source of uncertainty. Construction financing is still a wild card in the outlook, however. The widespread problems in the savings and loan industry have severely reduced the role of these institutions in mortgage lending. With respect to banks, efforts of institutions to achieve higher capital ratios has forced a more cautious approach to lending. Recovery is therefore expected to be slow, with only 120,000 to 125,000 new units approved in California in 1991.

It should be emphasized, however, that the California real estate market is not facing critical problems such as those experienced in the Northeast and Southwest. Price increases in the coastal urban areas have been related primarily to land availability and costs, and not to speculation. Reported price declines in some areas can be attributed in large part to the mix of housing offered for sale: in the current recessionary environment, lower-priced homes ($250,000 and under) are still selling well, while the market for homes in the $400,000 and up price range is quite sluggish.

Construction employment is feeling the impact of this situation. Data indicate that 53,000 jobs have been lost since March 1990. This comparison may well understate the decline in construction jobs, however. The industry is heavily oriented to small business, and workers enter and leave the field as business conditions warrant. Because of this, the normal employer sample on which the employment data are based can be misleading. Small firms are the first to lay off during a downturn, and the first to rehire when an expansion gets underway. Yet small firms are, of necessity, underrepresented in the regular employer sample. It is expected that the interim series will pick up this situation in May and August, and show a more significant drop in construction jobs than now reported.

Manufacturing generally is lackluster. The industries still reporting growth on a year-over-year basis can be numbered on one hand: food processing (possibly related to forced processing of freeze-damaged crops), apparel, printing, chemical production, and rubber-plastics. Overall, manufacturing employment has fallen nearly 50,000 over the past 12 months.

The big question mark on the horizon is the aerospace/electronics outlook. Hi tech employment stood at 675,000 as of January, down 50,000 from the peak early in 1989. The Persian Gulf conflict did not provide any stimulus for defense firms in the state, since weapons systems used were taken from inventory. Any replacement ordering will undoubtedly be deferred until the mid-1990s.

Aircraft producers are reporting significant job reductions, although the largest cuts may be behind them. Some 16,000 jobs were cut from mid-1990 to February 1991. To some extent this is due to consolidation of operations in the effort to reduce costs. McDonnell Douglas, for instance, has announced plans to locate the MD-12 production line--still in the planning stage--to another state, because the longer wing span cannot be accommodated in existing facilities.

The fate of the B2 Stealth Bomber is another concern. If funding for the plane is not approved by Congress, upwards of 35,000 jobs could be lost, primarily at Northrop and Boeing operations in Southern California. Subcontracting work on the latest generation of Boeing planes can be expected to pick up some of the slack created by these shifts, although on balance fairly large job losses may be looming. Some of these losses may be offset by military orders for new generation aircraft toward mid-decade.

More far reaching is the impact of reductions in defense procurement over the past four years. This has contributed to a general shrinkage in the hi tech industry in the state. Missile and space vehicle employment, for instance, is currently off about 4,000 from early 1989, although the revitalization of the space launch program should stem these losses in coming quarters. Defense-related instrument firms show cuts of approximately 7,000. Communications, electronics, computer and the measuring/controlling instrument categories are stable.

The electronics industry continues to face sluggish demand which is limiting its growth. Economic recovery and an upturn in business investment and foreign orders will be required to start this sector growing again. That recovery is now expected to come in 1992.

The state's unemployment rate continues to rise. It reached 7.4 percent in February, compared with a 6.5 percent rate nationally. The December freeze and contributed to the increase; normal seasonal activities in the farm sector have been sharply curtailed, severely reducing the demand for workers. This situation is illustrated dramatically by jobless rates for various Central Valley counties, which are running several percentage points above the year earlier level.

UNEMPLOYMENT RATES IN CENTRAL VALLEY COUNTIES
(Not seasonally adjusted)

	January–February	
	1991	1990
Fresno	14.3	11.3
Kern	13.1	10.7
Kings	15.6	11.4
Madera	14.7	11.8
Merced	17.3	13.1
San Joaquin	14.0	10.3
Stanislaus	16.1	11.9
Tulare	20.7	11.7
Statewide	7.6	5.4

News on the inflation front is good. Falling gasoline prices have helped hold down the gain in the consumer price index since the start of the year. The San Francisco CPI was up 0.7 percent between the December 1990 and February 1991. The Los Angeles index rose 0.5 percent during this time. These indexes were about 5 percent ahead of the year ago level, a marked improvement from the 6 percent or higher pace toward the end of 1990.

Price comparisons have been distorted by two components recently. The apparel component soared in February in Los Angeles as in the nation (but not in San Francisco), apparently reflecting higher prices on spring merchandise ordered earlier than usual because of an early Easter. The imposition of higher excise taxes on alcoholic beverages and cigarettes was a second factor. These taxes were put in place in January 1, but were not fully reflected on retail shelves until February. Services were a different picture, however, with medical care and personal services still posting high single digit gains. Inflation behavior is likely to moderate for the balance of the year, as slack demand makes it more difficult to increase prices for many goods.

A surge in consumer confidence in March, brought about primarily by the end of the Persian Gulf War, is heartening for retailers--downstream--but has yet to be translated into increased buying. In the near term sales seem stuck in neutral at best. December sales were up only 1 percent over the year. Data for the first months of 1991 are not yet available. However, if spending in California is similar to that in the nation, the year started off on a down note in actual dollar totals, and an even greater drop when inflation is removed from the data. Reports from the industry suggest that March was no better--that sales in the weeks before Easter were below the year-earlier pace.

Consumers certainly had good reason to stay away from the stores during these months. The start of the Persian Gulf War kept people glued to news broadcasts. Massive weekend demonstrations in major cities discouraged shoppers. The cease fire had an effect similar to the start of the war, keeping people tuned to the news. March rain through most of the state undoubtedly dampened spring clothing purchases. These three months are probably the worst of the retailing cycle. The coming weeks should see a modest improvement followed by a broadly-based upturn in the second half of the year.

1990 Personal Income. Preliminary figures place California personal income at $622.5 billion in 1990, a gain of 7.5 percent over the 1989 level. The year-to-year percentage change is distorted somewhat by the effects of the Loma Preita earthquake in 1989. The quake reduced the previous year's income by about 0.5 percent, mainly in nonfarm proprietors and rental income. Without the earthquake effects, income growth in 1990 would have been about 7 percent. For comparison, U.S. personal income grew by 5.9 percent in 1990.

Wages and salaries, which account for almost 60 percent of total income, increased 7.3 percent last year. On an industry basis, gains ranged from a low of 3.2 percent in construction--reflecting declining employment--to almost 12 percent in services. The strong growth in services reflects above average employment increases as well as tax related bonus payments among professionals and other small businesses. It is believed that increases in Federal personal income tax rates, effective in 1991, may have encouraged some acceleration of income into 1990.

Proprietors' income advanced 8.3 percent, on the strength of a 9.4 percent rise in the nonfarm sector. As noted above, this percentage change is boosted by the earthquake's effect on 1989 income. Based on very preliminary estimates, farm income appeared to have declined slightly last year. For the most part, the 1990 figures do not reflect effects of the December freeze, although some allowance was made for permanent orchard damage in the fourth quarter.

Property income increased 7 percent, held down by a small 6.6 percent rise in interest income. A near-10 percent jump in rental income reflects the comparison against the quake depressed 1989 figure. Uninsured damage to residences resulted in negative rental income in the fourth quarter of 1989.

Other labor income--mainly employee benefits such as health insurance and pension contributions--rose 6.5 percent. Reflecting the effect of the recession, transfer payments, which include Social Security and welfare benefits, increased more than 9 percent last year. Details of 1990 personal income are shown in the table on page 6.

CALIFORNIA PERSONAL INCOME, 1990
($ Millions)

	1990 Quarterly					Annual Averages		
	I	II	III	IVp	% Chg IV89-IV90	1989	1990p	% Chg 1989-90
Earnings (Place of Work)	453,375	457,296	465,212	470,267	6.4	430,008	461,538	7.3
Farm	7,410	7,564	7,722	7,880	1.7	7,627	7,644	0.2
Mining	2,163	2,378	2,406	2,311	3.9	2,218	2,315	4.4
Construction	30,949	30,210	29,486	28,669	-6.4	28,918	29,829	3.1
Manufacturing	79,189	79,569	80,252	81,070	3.1	77,279	80,020	3.5
TCU	27,015	26,363	26,718	27,080	6.5	24,744	26,794	8.3
Trade	71,291	72,575	72,443	73,230	4.2	68,397	72,385	5.8
Finance-Ins-Real estate	32,110	31,777	34,010	34,982	3.1	31,618	33,220	5.1
Services	129,276	134,215	136,606	140,876	13.7	120,928	135,243	11.8
Government	70,242	69,141	71,222	69,571	6.6	64,464	70,044	8.7
Federal Civilian	11,541	11,623	12,380	11,001	-2.0	11,240	11,636	3.5
Military	7,501	7,512	7,520	7,080	-2.2	7,247	7,403	2.2
State and Local	51,200	50,006	51,322	51,490	10.0	45,976	51,005	10.9
Other Industries	3,730	3,504	4,347	4,598	18.7	3,816	4,045	6.0
Wages and Salaries (Pl of Work)	360,493	363,071	369,512	374,697	5.9	342,114	366,943	7.3
Farm	1,817	1,843	1,901	1,982	5.2	1,811	1,886	4.1
Mining	1,534	1,686	1,706	1,639	3.9	1,572	1,641	4.4
Construction	20,633	20,140	19,657	19,113	-6.9	19,273	19,886	3.2
Manufacturing	68,032	68,358	68,945	69,648	3.1	66,390	68,746	3.5
TCU	21,305	20,791	21,071	21,356	6.5	19,510	21,131	8.3
Trade	59,959	60,936	60,928	62,059	3.8	57,677	60,971	5.7
Finance-Ins-Real estate	28,044	27,729	29,677	30,606	2.9	27,585	29,014	5.2
Services	90,088	93,725	95,196	99,208	12.2	84,599	94,554	11.8
Government	66,297	65,248	67,187	65,655	6.6	60,854	66,097	8.6
Federal Civilian	10,539	10,605	11,295	10,046	-1.7	10,261	10,621	3.5
Military	7,501	7,512	7,520	7,080	-2.2	7,247	7,403	2.2
State and Local	48,257	47,131	48,372	48,529	10.0	43,345	48,072	10.9
Other Industries	2,784	2,615	3,244	3,431	21.2	2,844	3,019	6.1
Other Labor Income (Pl of Work)	34,517	34,665	35,217	35,315	3.8	32,809	34,929	6.5
Proprietors' Income (Pl of Work)	58,365	59,560	60,483	60,255	11.6	55,085	59,666	8.3
Farm	5,363	5,487	5,580	5,646	0.4	5,586	5,519	-1.2
Nonfarm	53,002	54,073	54,903	54,609	12.9	49,498	54,147	9.4
Property Income (Place of Res.)	105,909	106,791	109,307	110,114	10.6	101,006	108,030	7.0
Dividends	14,946	15,252	15,521	15,774	7.6	14,175	15,373	8.5
Interest	89,038	90,034	91,003	91,641	4.0	84,801	90,429	6.6
Rent	1,925	1,505	2,783	2,699	NM	2,030	2,228	9.8
Transfer Payments (Place of Res)	80,873	81,722	82,635	84,793	9.1	75,532	82,506	9.2
Less: Contributions for Social Insurance (Place of Res.)	29,596	29,445	30,115	30,538	6.9	27,672	29,924	8.1
Plus: Residence Adjustment	373	375	375	377	1.9	315	375	19.0
Total Personal Income (Place of Residence)	610,934	616,739	627,414	635,013	7.4	579,189	622,525	7.5

NM = not meaningful p = preliminary

THE STATE BUDGET CRISIS

The recession has compounded a basic structural problem in California state finances, and led to a massive budget deficit currently estimated at nearly $13 billion for the fiscal years 1990-91 and 1991-92 combined.

When the Governors' Budget was introduced in January, it was estimated that the gap between revenues and expenditures would amount to $7 billion. Since then, the figure has ballooned to $12.6 billion.

Revenues for the current year (1990-91) are now expected to be down $1.6 billion from the Budget figure.

- At $38.8 billion, revenues this year will be roughly the same as in 1989-90.
- Bank and Corporation tax receipts are coming in 14 percent less than in 1989-90: $4.27 billion now as opposed to $4.93 billion last year.
- Sales tax collections are coming in at the same rate as last year: $13.5 billion.
- Personal income taxes are up only modestly, rising 3 percent to $17.4 billion.

Expenditures are contributing to the problem, coming in $1.1 billion higher than estimated four months ago.

All of these data are, of course, subject to revision as later information becomes available on the pace of the projected economic recovery and expenditure program growth. One of the larger unknowns is income tax payments in April. Final payments, virtually all of which are received between April 15 and 25, can vary widely from one year to the next. Similarly, refund returns can hold additional surprises. Unfortunately, data on the latter are not available until the end of May.

Beyond this, the economic situation is more critical than usual. The forecasts underlying the gap estimate assume a recession trough in the second quarter 1990, with recovery underway by the third quarter. If the recovery is delayed, the situation could be further exacerbated. If recovery gathers steam more rapidly than now expected, the gap could shrink modestly.

There are a number of reasons to expect that the economic upturn will be less vigorous than the typical pattern:

- The traditional inventory cycle has been far more restrained this time around, due in large part to better inventory controls by both manufacturers and retailers. There were no large stocks to work off on the downside, and there will be no need for massive rebuilding once the recovery gets underway. Furthermore, financial problems by some of the nation's largest retailers suggest that inventories will be held down of necessity.
- A dramatic improvement in net exports has cushioned the slump so far. To some extent this improvement was due to non-recurring factors, however, such as a decline in oil imports on the heels of a massive build-up in oil stocks in the third quarter shortly after the invasion of Kuwait. When imports return to a more normal level, net exports will decline. In addition, as recessions bring about a decline in demand for imported goods, recoveries strengthen imports. Finally, developing recessions in the economics of some of our major trading partners will limit export potential in the short run. This sector, therefore, can not be overly relied upon as an engine for recovery.
- Homebuilding is in a severe slump unlikely to be reversed for another several months at least. An excess supply of houses on the market will deter new construction. It has been estimated that Southern California alone has a 7 quarter supply at current absorption rates. Finally, demographic factors including a slower rate of household formations will hold homebuilding in check.
- Nonresidential construction is also lackluster. Commercial and office space is already in excess supply in many areas.

- Efforts by financial institutions to strengthen their balance sheets will mean tighter lending requirements to insure that losses do not mount. More marginal projects which might have been undertaken on speculation in earlier recoveries will be relegated to a "wait and see" status.

- Consumers have been on a spending spree for eight years, and do not have a backlogged demand for goods that has led to a spurt in other upturns. Big ticket items such as cars will be especially hurt--and large appliances normally related to homebuilding.

- The aerospace/electronics industry is in a period of consolidation reflecting defense and business cutbacks--in stark contrast to the defense buildup years in the early to mid-1980s.

Employment gains will be slight at best in 1991; income increases will be substantially below those anticipated last November when the Budget forecast was completed.

On balance, the recession has exacerbated an underlying structural imbalance. Given that part of the problem is structural, with expenditures consistently growing several percentage points faster than revenues, recovery alone cannot close the gap. A combination of revenue increases, expenditure cuts and program realignments are going to be necessary to resolve the problem for coming years.

EMPLOYMENT
(Seasonally Adjusted)

	1991		1990		1990	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
Civilian employment (000)	13,763	13,658	13,672	13,666	13,835	-0.5
Unemployment (000)	1,092	1,032	1,003	957	720	51.7
Unemployment rate	7.4	7.0	6.8	6.5	4.9	--
Nonagricultural wage and salary employment a/ (000)	12,936.6	12,935.9	12,844.6	12,877.2	12,808.1	1.0
Mining	39.9	39.8	39.6	39.9	39.5	1.0
Construction	629.4	629.5	619.5	627.0	681.8	-7.7
Manufacturing	2,100.3	2,110.4	2,101.8	2,106.8	2,147.6	-2.2
High technology b/	n.a.	674.6	681.3	683.0	704.8	--
Transportation and public utilities	640.9	640.3	633.5	632.4	625.1	2.5
Trade	3,043.6	3,043.5	3,014.5	3,036.4	3,016.7	0.9
Finance, insurance, and real estate	843.7	843.1	840.0	839.9	841.1	0.3
Services	3,548.0	3,540.2	3,514.7	3,518.7	3,413.6	3.9
Government	2,090.8	2,089.0	2,080.9	2,076.2	2,042.5	2.4
Federal	348.9	350.5	346.7	350.8	356.8	-2.2
State and local	1,741.9	1,738.6	1,734.2	1,725.4	1,685.7	3.3

HOURS AND EARNINGS IN MANUFACTURING

	1991	1990			1990	Yr-Over-Yr
	Jan	Dec	Nov	Oct	Jan	% Change
Average weekly hours c/	40.2	41.4	40.8	40.6	40.2	0.0
Average weekly earnings c/	$471.95	$487.28	$476.54	$469.34	$452.65	4.3
Average hourly earnings c/	$11.74	$11.77	$11.68	$11.56	$11.26	4.3

PRODUCTION

	1990				1989	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
Petroleum (000 barrels daily) c/	946	970	965	953	982	-3.7
Portland cement (000 short tons) c/	627.2	758.5	909.1	808.1	831.9	-24.6

TRADE
(Seasonally Adjusted)

	1990				1989	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
Retail sales ($ millions)	18,360	18,761	18,797	18,567	18,179	1.0
New auto registrations (number)	123,580	126,488	120,858	122,531	117,086	5.5

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1991		1990		1990	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
All Urban Consumers Series						
California Average	139.0	139.3	138.2	137.9	132.5	4.9
San Francisco CMSA	136.1	136.7	135.1	134.7	129.2	5.3
Los Angeles CMSA	139.9	140.0	139.2	138.9	133.6	4.7
Wage Earners and Clerical Workers Series						
California Average	135.0	135.5	134.6	134.3	129.1	4.6
San Francisco CMSA	134.5	135.3	133.9	133.7	128.2	4.9
Los Angeles CMSA	135.5	135.8	135.2	134.8	129.8	4.4

CONSTRUCTION

	1991	1990			1990	Yr-Over-Yr
	Jan	Dec	Nov	Oct	Jan	% Change
Private residential housing units authorized (000) a/	98.5	101.8	104.1	112.7	237.0	-58.4
Single units	59.1	62.1	65.1	73.3	150.7	-60.8
Multiple units	39.4	39.7	39.1	39.4	86.3	-54.4
Residential building authorized valuation (millions) b/	$1,164	$1,076	$1,258	$1,331	$2,496	-53.4
Nonresidential building authorized valuation (millions) b/	$994	$929	$998	$955	$1,194	-16.8
Nonresidential building authorized valuation (millions) c/	$768	$820	$934	$1,014	$923	-16.8
Commercial	$239	$330	$396	$355	$391	-39.0
Industrial	107	134	100	142	102	4.5
Other	95	73	125	141	105	-9.4
Alterations and additions	327	282	313	376	324	1.1

VACANCY RATES FOR DECEMBER 1990
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				8.2
Fresno	18.2	33.5	12.4	
Oakland-East Bay	17.6	16.8	17.8	
Sacramento	13.3	5.6	15.9	
San Francisco	13.9	11.5	17.3	
San Jose	12.1	17.2	10.4	
Southern California				8.8
Bakersfield	21.5	29.7	17.6	
Los Angeles	17.9	15.8	18.4	
Orange County	20.7	--	20.7	
San Diego	19.5	13.1	21.3	
Ventura County	27.1	--	27.1	
National Average	19.5	17.1	20.4	7.4

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding. Percent changes calculated from unrounded data.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1989		1990				1991	
Jul	$201,653	Jan	$194,950	Jul	$194,100	Jan	$192,670
Aug	199,385	Feb	197,180	Aug	193,290	Feb	194,900
Sep	198,743	Mar	196,620	Sep	190,520		
Oct	193,734	Apr	197,110	Oct	188,220		
Nov	193,581	May	196,090	Nov	192,280		
Dec	188,477	Jun	194,820	Dec	192,930		

LEADING INDICATORS a/

		Manufacturing		
		Overtime Hours	Average Weekly Hours	New Business Incorporations
1989	Jul	3.9	40.7	4,053
	Aug	3.9	40.8	4,254
	Sep	3.9	40.5	4,080
	Oct	3.9	40.6	4,047
	Nov	3.9	40.7	4,394
	Dec	3.9	40.6	3,950
1990	Jan	3.9	40.5	4,742
	Feb	3.8	40.4	3,995
	Mar	3.8	40.5	3,920
	Apr	3.4	39.7	4,126
	May	3.9	40.6	4,139
	Jun	3.8	40.7	3,768
	Jul	3.8	40.8	3,786
	Aug	3.8	40.8	3,541
	Sep	3.8	40.8	3,294
	Oct	3.7	40.6	3,511
	Nov	3.8	40.5	3,112
	Dec	3.7	40.8	2,943
1991	Jan	3.7	40.5	4,009
	Feb	n.a.	n.a.	3,640

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1989	Jul	54,190	253.1
	Aug	53,676	214.6
	Sep	53,992	223.2
	Oct	55,782	241.3
	Nov	53,626	231.9
	Dec	50,572	254.3
1990	Jan	55,628	237.0
	Feb	56,733	225.5
	Mar	56,510	211.0
	Apr	57,020	184.6
	May	61,002	175.7
	Jun	61,235	177.3
	Jul	61,829	160.6
	Aug	64,617	151.1
	Sep	67,339	145.4
	Oct	68,422	112.7
	Nov	68,987	104.1
	Dec	69,585	101.8
1991	Jan	71,815	98.5
	Feb	74,149	n.a.

a/ Seasonally adjusted n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1989	Jul	12,589	2,162	5.4	321
	Aug	12,609	2,161	4.7	329
	Sep	12,651	2,156	5.1	327
	Oct	12,677	2,152	5.0	326
	Nov	12,732	2,153	4.9	336
	Dec	12,751	2,150	5.1	312
1990	Jan	12,776	2,147	5.1	332
	Feb	12,808	2,148	4.9	342
	Mar	12,845	2,148	5.2	346
	Apr	12,836	2,146	5.3	350
	May	12,925	2,148	5.4	370
	Jun	12,948	2,148	5.1	362
	Jul	12,886	2,131	5.3	391
	Aug	12,955	2,131	5.5	368
	Sep	12,902	2,122	5.9	401
	Oct	12,890	2,119	6.1	430
	Nov	12,877	2,107	6.5	445
	Dec	12,845	2,102	6.8	452
1991	Jan	12,936	2,110	7.0	498
	Feb	12,937	2,100	7.4	521

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1988	Qtr I	517,738	80,535	61,460
	Qtr II	523,719	80,913	62,027
	Qtr III	546,357	84,521	62,924
	Qtr IV	555,072	84,209	64,470
1989	Qtr I	563,515	85,726	65,456
	Qtr II	574,249	86,141	67,577
	Qtr III	587,873	87,422	69,375
	Qtr IV	591,121	89,650	69,424
1990	Qtr I	610,934	90,199	70,614
	Qtr II	616,739	90,184	70,597
	Qtr III	627,414	90,308	70,305
	Qtr IV	635,013	90,400	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: b/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125
	Qtr IV	n.a.	
1990	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	5,777	22,312

		Electricity Production (Million KWH)
1989	Jul	11,112
	Aug	10,899
	Sep	11,068
	Oct	10,705
	Nov	10,831
	Dec	10,722
1990	Jan	10,355
	Feb	8,809
	Mar	9,125
	Apr	9,286
	May	9,504
	Jun	9,569
	Jul	9,724
	Aug	9,872
	Sep	10,228
	Oct	10,284
	Nov	8,577
	Dec	8,958

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a/ Seasonally adjusted b/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

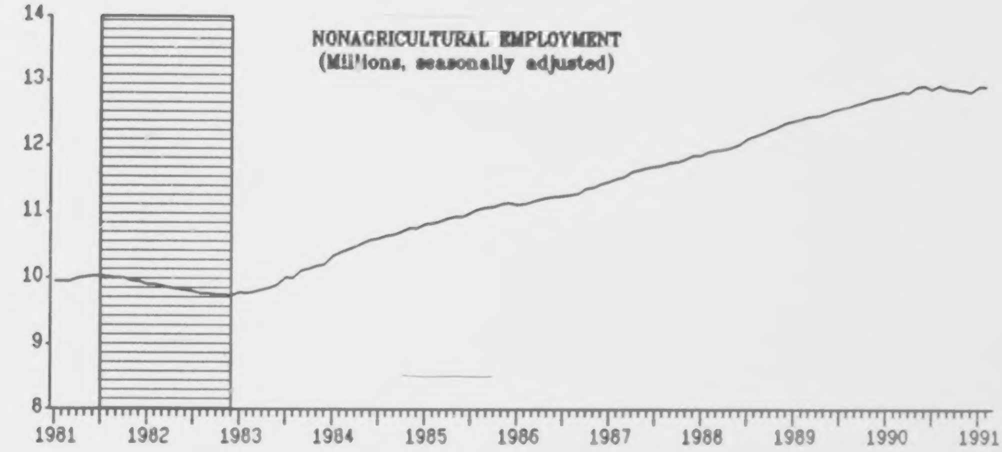
Manufacturing Employment

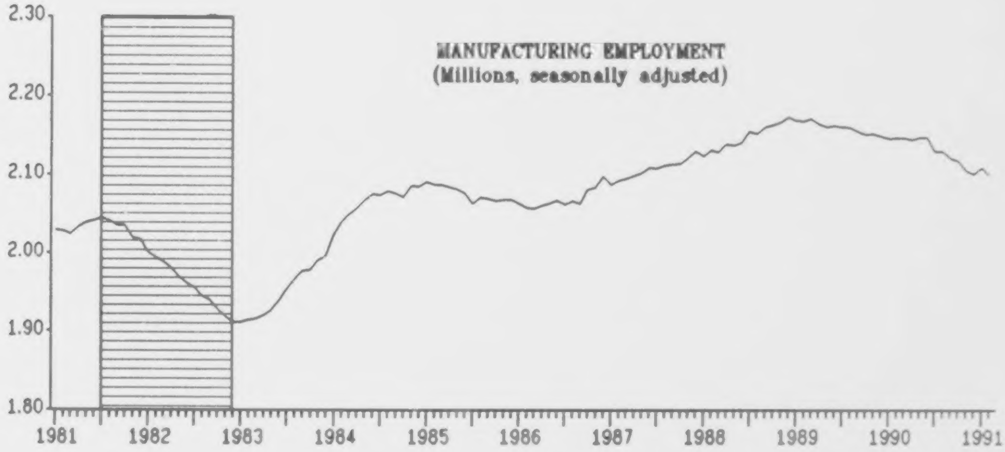
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

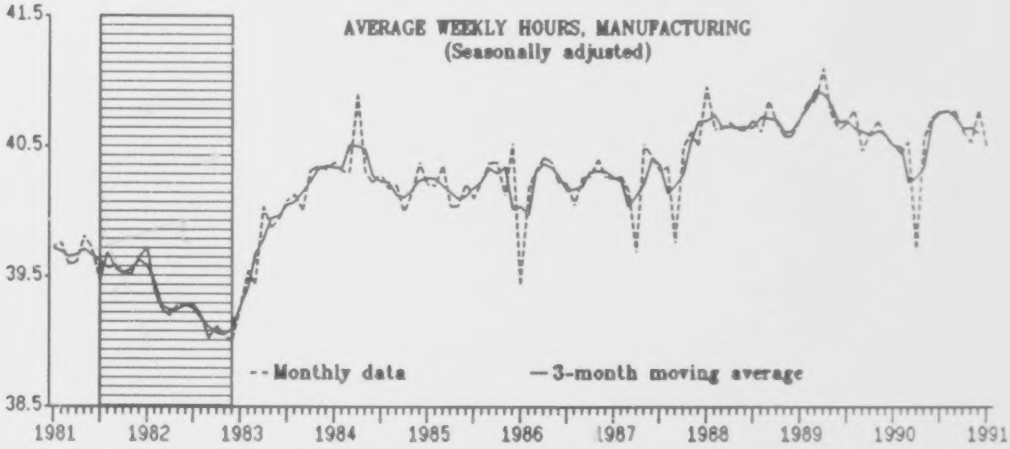
Taxable Sales

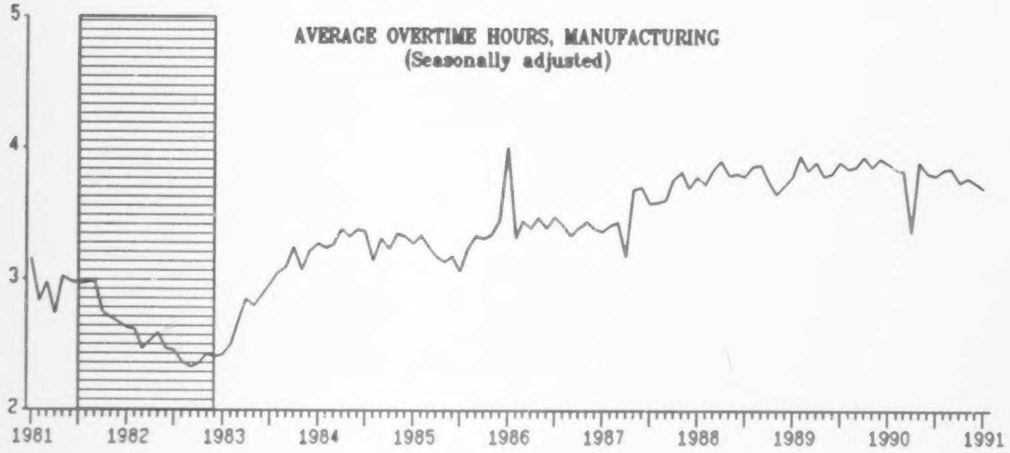
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

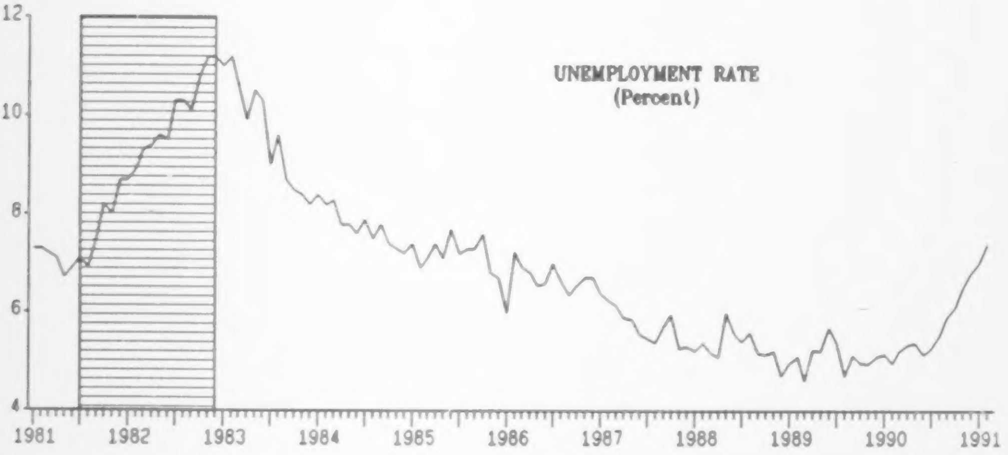

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)


MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)

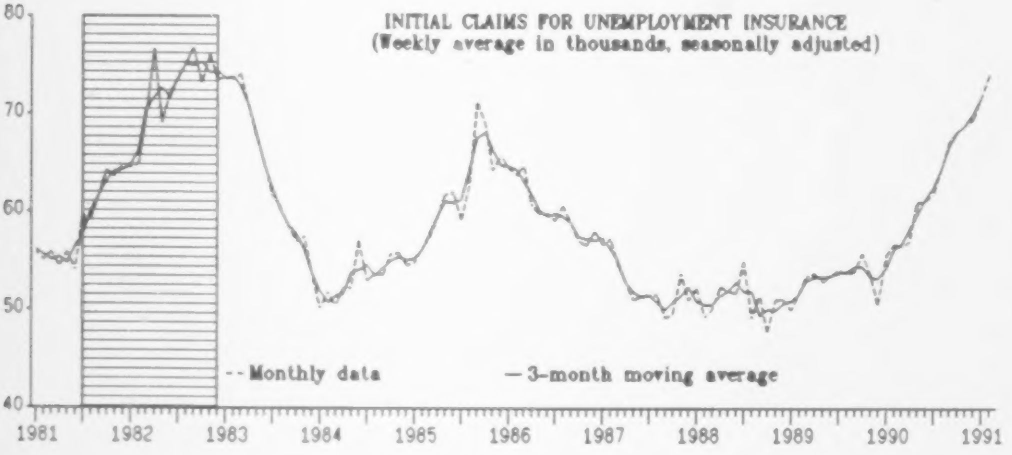

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)



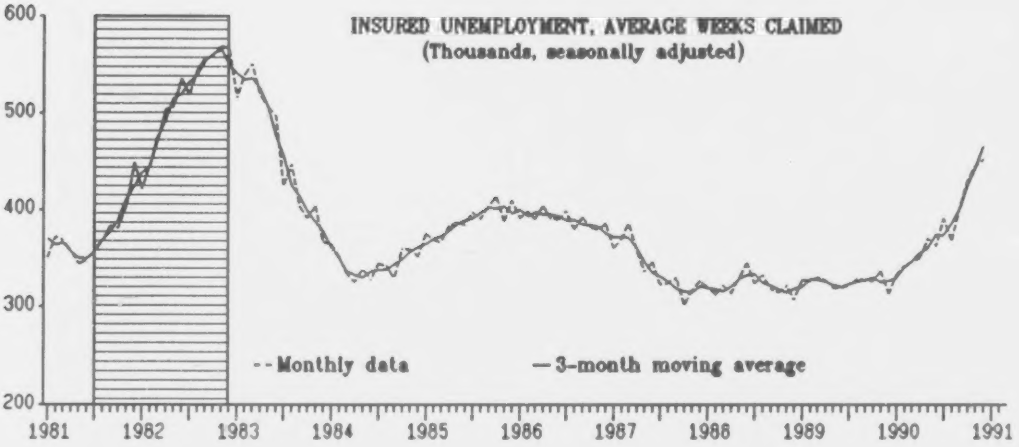
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)



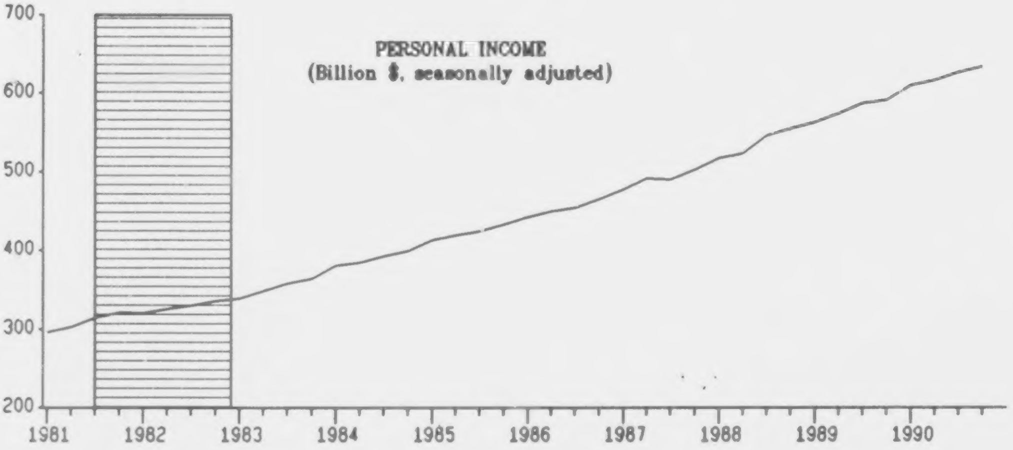
UNEMPLOYMENT RATE
(Percent)



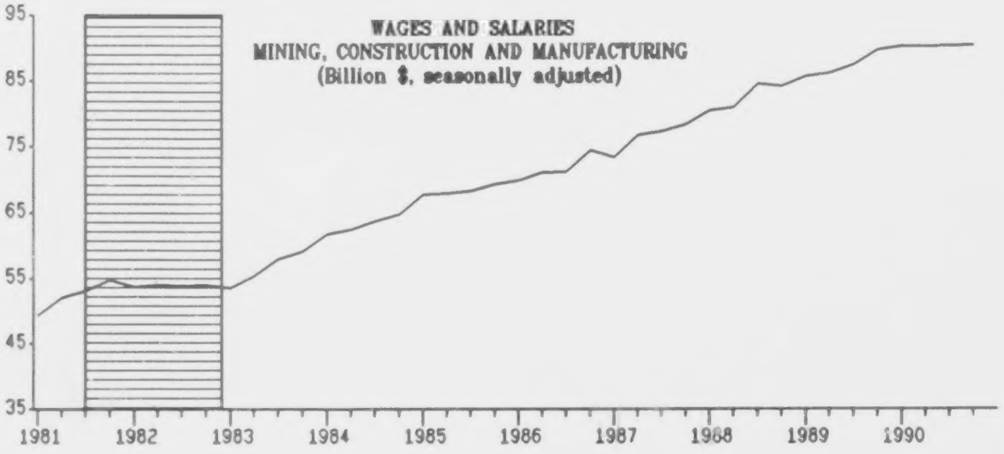
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)



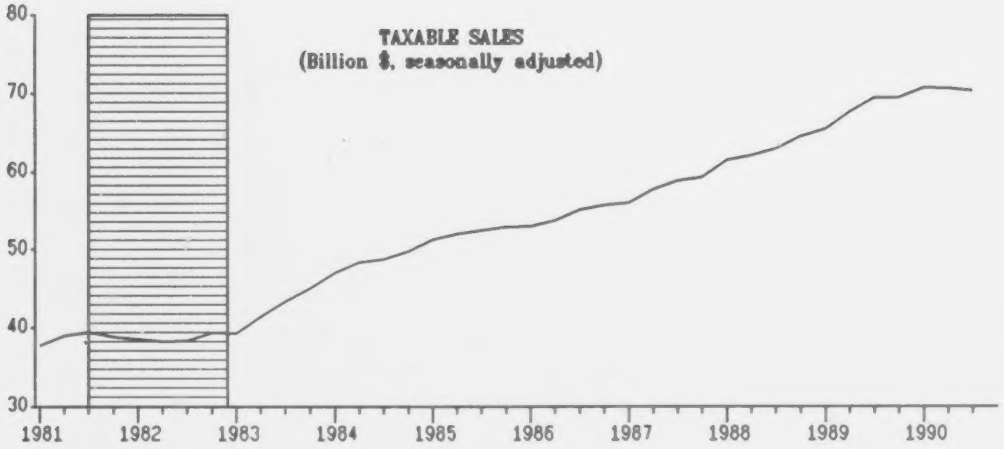
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)

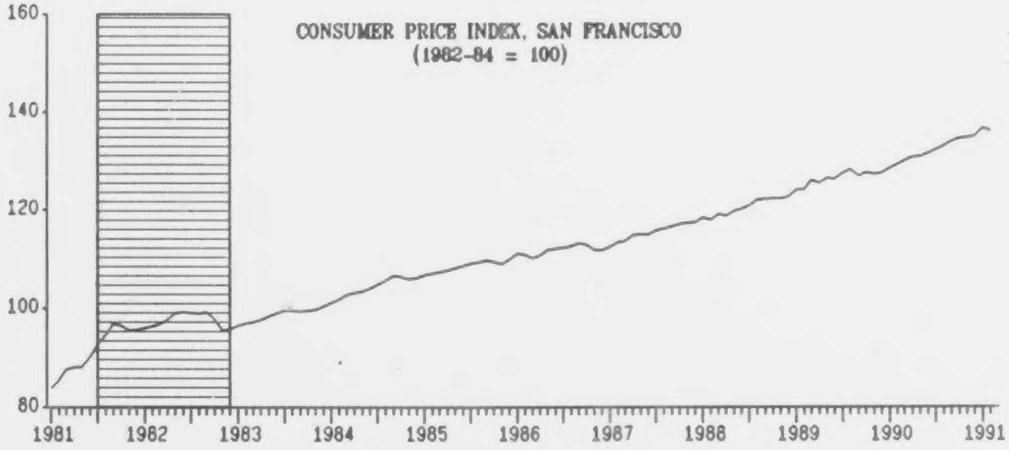


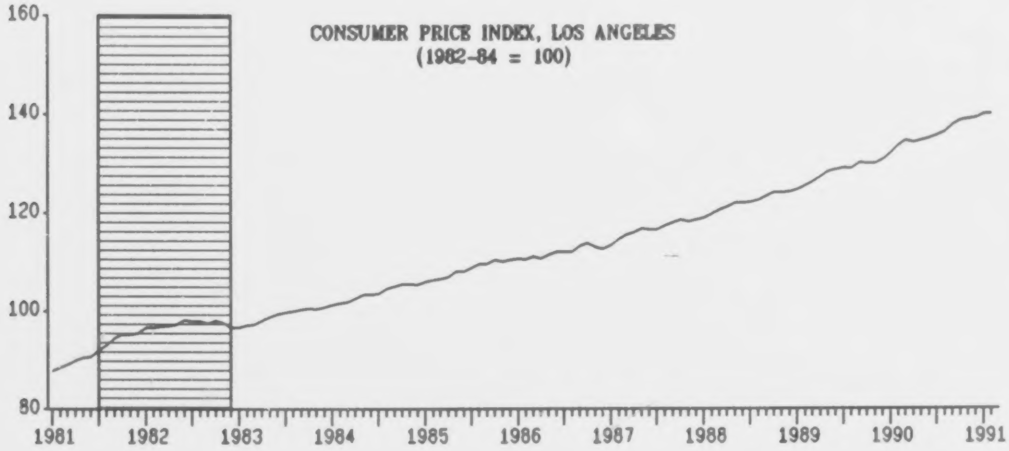
PERSONAL INCOME
(Billion $, seasonally adjusted)

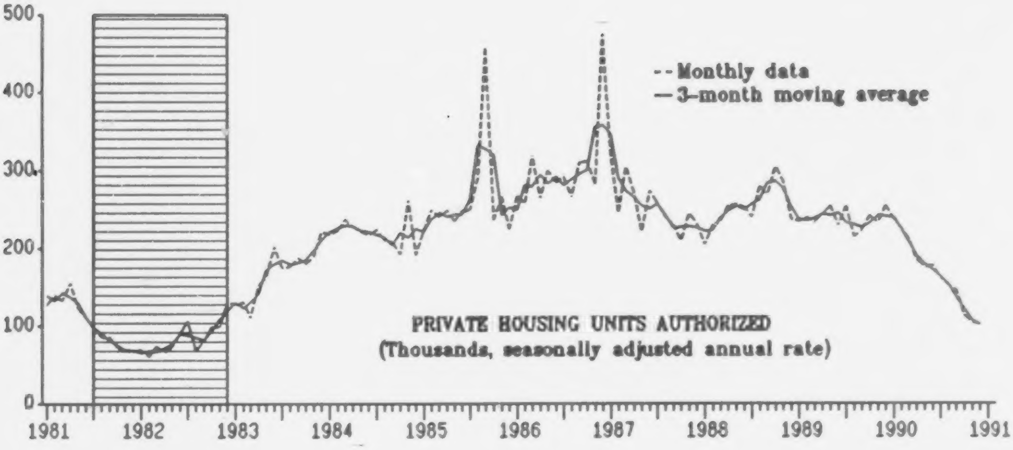


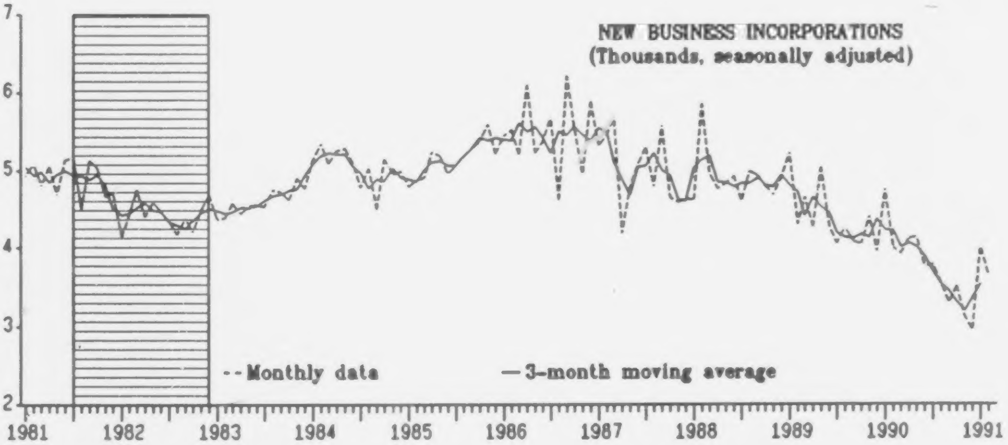
WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)

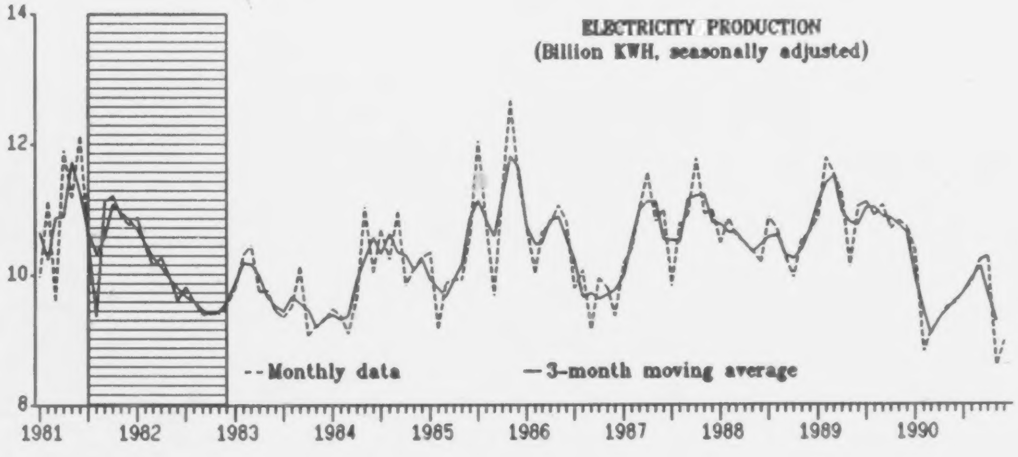

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


--Monthly data
—3-month moving average
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
7
6
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
--Monthly data
—3-month moving average
14
12
10
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

1980--continued

April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21- Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

1981--Continued

September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

1982--continued

April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

CHRONOLOGY--Continued

1982--Continued

	highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

1987--Continued

January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

1987--Continued

May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 1	California fuel tax increase of 5 cents per gallon.
August 2	Iraq invades Kuwait.

1990--Continued

September 9	California population reaches 30 million according to California Department of Finance.
November 30	Index of leading indicators declines for fourth month in a row.
December 1	Federal gasoline tax increase of 5 cents per gallon.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 1	California fuel tax increase of one cent per gallon.
January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent.
	Prime rate reduced from 9-1/2 percent to 9 percent.
February 26	Iraqi troops withdraw from Kuwait.
February 27	President Bush orders a cease fire in the war against Iraq.
April 1	Federal minimum wage raised from $3.80 to $4.25.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

State of California:	
Board of Equalization	Taxable sales
Employment Development Department *Labor Market Information Division*	Civilian employment Unemployment Unemployment rate Hours and earnings
Unemployment Insurance Divsion	Unemployment insurance, initial claims and average weeks claimed
Department of Finance	Personal income Wages and salaries Nonagricultural employment
Department of Industrial Relations *Division of Labor Statistics and Research*	California consumer price index
Department of Motor Vehicles	New auto registrations
Secretary of State	New business incorporations
California Association of Realtors	Existing family home data
Coldwell Banker	Nonresidential vacancy rates
Conservation Committee of California Oil Producers	Petroleum production
Construction Industry Research Board	Construction data
Economic Sciences Corporation	Construction data
U.S. Department of Commerce Bureau of the Census	Retail sales
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
U.S. Department of the Interior Bureau of Mines	Cement production
U.S. Department of Labor Bureau of Labor Statistics	Consumer price indices

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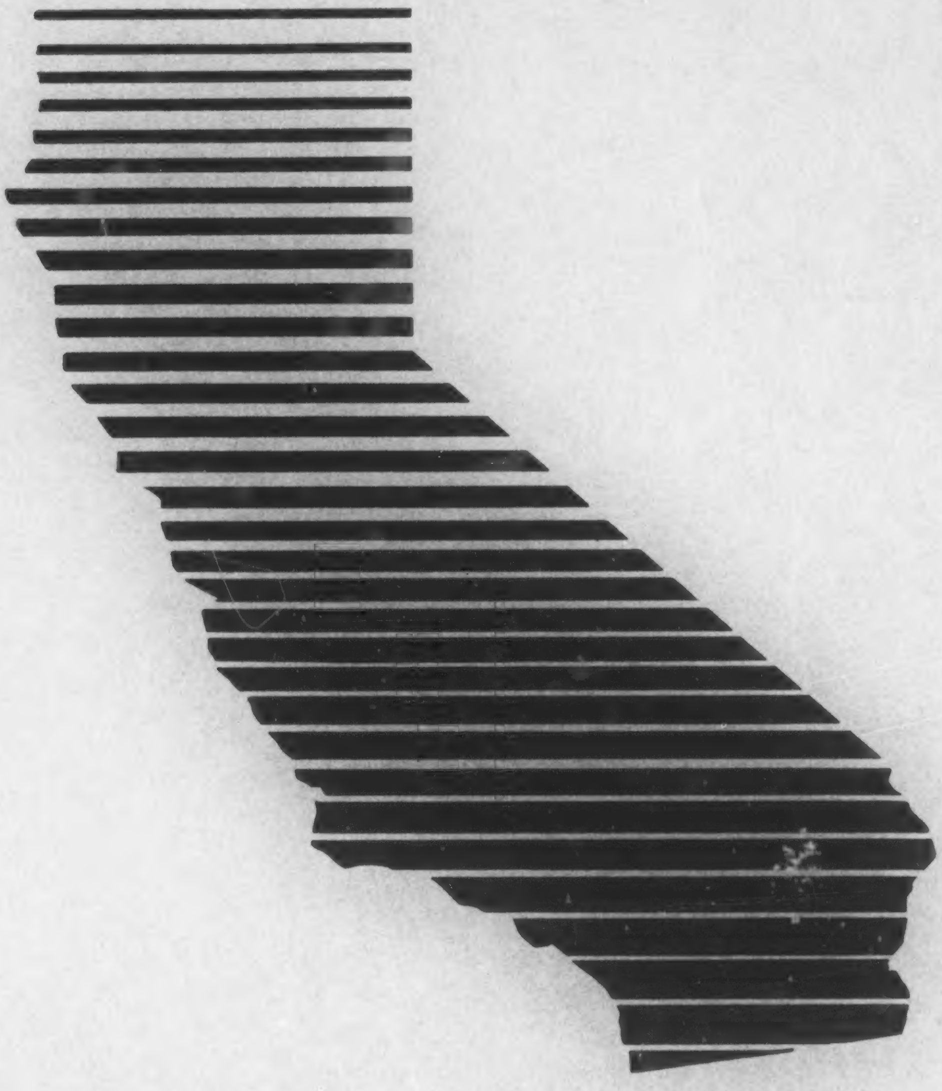
CALIFORNIA ECONOMIC INDICATORS

May/June 1991



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
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March	6.75
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REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Economic figures for California are still signaling recession. The pace of decline in activity appears to be slowing, and a summer upturn remains the most likely outlook (see Forecast Update on page 7). For now, however, recovery is still an expectation rather than a reality.

Improvement in several recent indicators is more apparent than real. For example, April's 23,000 increase in nonagricultural wage and salary employment was more than offset by a 34,000 downward revision in the March figure. Indeed, this pattern of downward revisions in the employment data has been disturbingly consistent over the last several months, as apparent gains have evaporated when more complete survey data became available.

Weakness is centered in construction and manufacturing, but there has been little growth in most service producing industries as well. In particular, the financial group and retail trade have evidenced unusual sluggishness in recent months. In manufacturing, high technology firms continue to announce layoffs, often despite improved sales. In many cases, sales gains can be achieved only through price cuts, necessitating sharp reductions in overhead costs. As a result, a significant share of the manufacturing cuts have been among administrative staff in addition to production workers.

Like the nation, California's jobless rate declined during April, from 7.7 percent to 7.4 percent. However, the U.S. unemployment statistic was greeted with considerable skepticism, since it resulted mainly from a large gain in self employment. The self employed account for only 7.5 percent of total civilian employment, but this group represented half the April gain in the number of jobholders.

The housing upturn may also be something less than meets the eye. March building permits were issued at an annual rate of more than 130,000 units, up from a less than 100,000 unit pace in January and February. Most of this gain, however, was in San Diego County, where drought related water conservation regulations became effective in April. Builders drew permits in advance of the new rules.

Home sales activity continues to improve, but the April gains were considerably less robust than in earlier months. Mortgage interest rates, which had reached a low of 9-1/4 percent in February, were back in the 9-1/2 percent area in April and May. Despite further cuts in short term interest rates by the Federal Reserve, longer term interest rates have actually risen over the last few weeks, suggesting little near term relief in the fixed rate mortgage market.

Meanwhile, builders continue to report difficulties in obtaining financing for new home construction. Reflecting the slump in commercial and industrial activity, the dollar volume of nonresidential construction in the first quarter was down 19 percent from the comparable 1990 level.

Retail sales have also continued to weaken. Following year-to-year gains in the 1-1/2 to 2 percent range in the latter half of 1990, first quarter 1991 taxable sales may have been off as much as 4 percent from the year earlier pace--this before adjusting for inflation. U.S. Department of Commerce sales figures for California indicate a 2-1/2 percent drop from the early 1990 results. The Commerce figures are based on a sample survey covering all types of retail selling. Taxable sales exclude prescription medicines and food for home consumption, but include certain business-to-business transactions.

California Personal Income. The extreme weakness in first quarter sales can in part be traced to the effects of the Gulf war on both California consumption patterns and travel related spending. More fundamentally, recent retail performance also reflects a substantial slowdown in the growth of incomes. As detailed in the table on page 4, first quarter California personal income was virtually unchanged from the fourth quarter pace. The tiny $1.6 billion gain was more than accounted for by a $4 billion jump in transfer payments, largely reflecting increased unemployment compensation benefits. Wages showed no growth during the quarter, while proprietors' and property incomes both declined.

Fourth quarter income was revised up slightly, but this was more than accounted for by tax driven bonus payments to principals of closely held corporations. Since 1987, when the most recent

CALIFORNIA PERSONAL INCOME: 1990-91
(In Millions of Dollars)

	1990				1991	% Change	Full Year 1990	
	I	II	III	IV	I	90:I-91:1	Amount	% Change
Earnings (Place of work)	453,510	457,890	465,255	472,499	472,396	4.2	462,289	7.5
Farm	7,545	7,670	7,765	7,370	7,152	-5.2	7,588	-0.5
Mining	2,163	2,378	2,406	2,479	2,414	11.6	2,357	6.2
Construction	30,949	30,033	29,486	28,979	27,762	-10.3	29,862	3.3
Manufacturing	79,189	79,623	80,252	81,192	81,289	2.7	80,064	3.6
TCU	27,015	26,373	26,718	27,138	27,925	3.4	26,811	8.4
Trade	71,291	72,359	72,443	73,960	74,414	4.4	72,513	6.0
Finance-Ins-Real estate	32,110	31,704	34,010	35,195	32,929	2.6	33,255	5.2
Services	129,276	134,692	136,606	142,394	139,497	7.9	135,742	12.3
Government	70,242	69,554	71,222	70,608	75,455	7.4	70,407	9.2
Federal Civilian	11,541	11,625	12,380	11,058	12,261	6.2	11,651	3.7
Military	7,501	7,512	7,520	7,080	7,360	-1.9	7,403	2.2
State and Local	51,200	50,417	51,322	52,470	55,834	9.1	51,352	11.7
Other Industries	3,730	3,504	4,347	3,184	3,559	-4.6	3,691	-3.3
Wages and salaries (Pl of work)	360,493	363,486	369,512	376,950	376,982	4.6	367,610	7.5
Farm	1,817	1,843	1,901	1,961	1,710	-5.9	1,881	3.8
Mining	1,534	1,686	1,706	1,758	1,712	11.6	1,671	6.3
Construction	20,633	20,022	19,657	19,319	18,758	-9.1	19,908	3.3
Manufacturing	68,032	68,405	68,945	69,753	69,836	2.7	68,784	3.6
TCU	21,305	20,799	21,071	21,403	22,023	3.4	21,145	8.4
Trade	59,959	60,755	60,928	62,678	62,797	4.7	61,080	5.9
Finance-Ins-Real estate	28,044	27,665	29,677	30,792	28,759	2.5	29,045	5.3
Services	90,088	94,059	95,196	100,278	97,550	8.3	94,905	12.2
Government	66,297	65,637	67,187	66,632	71,181	7.4	66,438	9.2
Federal Civilian	10,539	10,607	11,295	10,099	11,197	6.2	10,635	3.6
Military	7,501	7,512	7,520	7,080	7,360	-1.9	7,403	2.2
State and Local	48,257	47,518	48,372	49,453	52,624	9.0	48,400	11.7
Other Industries	2,784	2,615	3,244	2,376	2,656	-4.6	2,755	-3.1
Other labor income (Pl of work)	34,517	34,682	35,217	35,496	35,780	3.7	34,978	6.6
Proprietors' income (Pl of work)	58,500	59,722	60,526	60,053	59,634	1.9	59,700	8.4
Farm	5,498	5,593	5,623	5,159	5,225	-5.0	5,468	-2.1
Nonfarm	53,002	54,129	54,903	54,894	54,409	2.7	54,232	9.6
Property Income (Place of res.)	105,909	106,791	109,376	110,176	109,036	3.0	108,063	7.0
Dividends	14,946	15,252	15,521	15,774	15,787	5.6	15,373	8.5
Interest	89,038	90,034	91,072	91,426	90,961	2.2	90,393	6.6
Rent	1,925	1,505	2,783	2,976	2,288	18.9	2,297	13.2
Transfer payments (Place of res)	80,873	81,722	82,635	84,840	88,949	10.0	82,518	9.2
Less: Contributions for social insurance (Place of res.)	29,596	29,480	30,115	30,717	31,894	7.8	29,977	8.3
Plus: Residence adjustment	373	375	375	377	372	-0.3	375	19.0
Total personal income (Place of residence)	611,069	617,298	627,526	637,175	638,859	4.5	623,267	7.6

COUNTY PERSONAL INCOME, 1988-89

	Total Personal Income			Per Capita Personal Income		
	$ Million		% Change	Dollars		% Change
	1988	1989	1988-89	1988	1989	1988-89
California	533,116	576,433	8.1	18,829	19,840	5.4
Alameda	24,752	26,393	6.6	19,944	20,967	5.1
Alpine	20	25	25.0	16,920	20,220	19.5
Amador	390	426	9.2	14,180	14,573	2.8
Butte	2,367	2,590	9.4	13,564	14,471	6.7
Calaveras	375	416	10.9	11,997	12,607	5.1
Colusa	249	281	12.9	16,201	17,998	11.1
Contra Costa	17,592	19,054	8.3	22,990	24,308	5.7
Del Norte	226	251	11.1	11,232	12,139	8.1
El Dorado	1,972	2,208	12.0	16,257	17,264	6.2
Fresno	9,262	10,023	8.2	15,065	15,927	5.7
Glenn	355	382	7.6	15,185	16,185	6.6
Humboldt	1,691	1,833	8.4	14,545	15,546	6.9
Imperial	1,410	1,467	4.0	12,500	12,712	1.7
Inyo	280	307	9.6	15,514	17,045	9.9
Kern	7,505	7,948	5.9	14,433	14,856	2.9
Kings	1,193	1,326	11.1	12,902	13,907	7.8
Lake	679	749	10.3	13,190	14,166	7.4
Lassen	316	342	8.2	11,639	12,126	4.2
Los Angeles	161,836	174,366	7.7	18,845	19,906	5.6
Madera	1,091	1,130	3.6	13,136	13,121	-0.1
Marin	7,520	8,124	8.0	32,684	34,983	7.0
Mariposa	191	207	8.4	13,105	13,735	4.8
Mendocino	1,106	1,226	10.8	14,525	15,858	9.2
Merced	2,168	2,335	7.7	12,752	13,387	5.0
Modoc	127	132	3.9	13,789	14,494	5.1
Mono	167	182	9.0	17,551	18,855	7.4
Monterey	5,966	6,274	5.2	17,107	17,622	3.0
Napa	2,119	2,311	9.1	19,881	21,417	7.7
Nevada	1,173	1,295	10.4	15,170	15,987	5.4
Orange	51,436	56,000	8.9	22,790	24,288	6.6
Placer	2,801	3,130	11.7	18,034	19,337	7.2
Plumas	278	302	8.6	13,794	14,726	6.8
Riverside	16,220	17,872	10.2	16,465	17,028	3.4
Sacramento	16,677	18,359	10.1	17,071	18,194	6.6
San Benito	519	551	6.2	15,036	15,279	1.6
San Bernardino	19,668	21,473	9.2	15,217	15,635	2.7
San Diego	41,847	45,868	9.6	17,654	18,651	5.6
San Francisco	18,306	19,398	6.0	25,020	26,454	5.7
San Joaquin	6,499	6,998	7.7	14,260	14,861	4.2
San Luis Obispo	3,181	3,498	10.0	15,328	16,290	6.3
San Mateo	16,237	17,529	8.0	25,841	27,659	7.0
Santa Barbara	6,863	7,478	9.0	20,001	21,504	7.5
Santa Clara	33,108	35,544	7.4	23,120	24,581	6.3
Santa Cruz	4,326	4,322	-0.1	19,082	18,637	-2.3
Shasta	2,030	2,229	9.8	14,527	15,567	7.2
Sierra	50	55	10.0	14,134	15,235	7.8
Siskiyou	590	628	6.4	13,562	14,300	5.4
Solano	4,920	5,315	8.0	15,663	16,154	3.1
Sonoma	7,212	7,883	9.3	19,705	20,860	5.9
Stanislaus	4,792	5,212	8.8	14,052	14,689	4.5
Sutter	876	961	9.7	14,157	15,185	7.3
Tehama	557	594	6.6	11,945	12,471	4.4
Trinity	163	178	9.2	11,613	12,495	7.6
Tulare	3,906	4,164	6.6	13,110	13,668	4.3
Tuolumne	619	681	10.0	13,390	14,080	5.2
Ventura	12,419	13,396	7.9	19,186	20,156	5.1
Yolo	2,283	2,533	11.0	17,341	18,816	8.5
Yuba	635	680	7.1	11,224	11,801	5.1

Source: U.S. Department of Commerce

Federal income tax reforms became effective, these bonus payments--most common among professionals, but also seen in retailing and construction--have distorted the quarterly pattern of personal income. Although new seasonal factors have been incorporated into the quarterly income estimates to reflect this pattern of bonus payments, the year-end surge in 1990 was even greater than in previous years.

It appears that further changes in Federal income tax law, which in 1991 will raise top marginal tax rates and reduce deductions for upper income tax payers, encouraged these unusually large bonus payments to be included in 1990 taxable incomes. Of the $10 billion fourth quarter rise in personal income, as much as $3 billion can be traced to bonus payments above and beyond what had become "normal" over the previous three years. These payments do not necessarily add to overall economic activity. Instead, they represent shifts in timing of income recognition or in type of income as between corporate profits and personal income.

County Personal Income. The U.S. Department of Commerce has released estimates of county personal income and per capita income for 1989. These are shown for California's 58 counties in the table on page 5. Usually, the county income data are consistent with the previous August benchmark estimates of state personal income provided by Commerce. This year, however, the county data incorporate later revisions, mainly affecting property income and farm proprietors' income. These revisions are related to Census population changes. There will be the normal August benchmark revisions, and the Finance Department will revise the quarterly state estimates to be consistent with the U. S. Department of Commerce series at that time.

Smaller counties recorded the fastest income growth in 1989. The ten leading growth counties included several Sierra and foothill counties--Alpine, El Dorado, Placer, Calaveras and Nevada--as well as Central Valley counties of Colusa, Kings and Yolo. Del Norte County income was pushed up by the opening of a new state prison. Gains in per capita income were even more heavily tilted toward mountain counties, including Alpine, Inyo, Sierra and Trinity.

As usual, Bay Area counties dominated the list of highest per capita income, with eight of the nine Bay counties in the top ten. Marin County's per capita figure of just under $35,000 was 76 percent more than the statewide average, and $7,000 higher than second place San Mateo. In Southern California, Orange ranked sixth and Santa Barbara seventh highest in the state.

Southern California counties top the list in terms of total personal income. Los Angeles County's $174.4 billion figure continues to account for more than 30 percent of the state total. The five county Los Angeles consolidated area (including Los Angeles, Orange, Riverside, San Bernardino and Ventura counties) accounted for just under half California's total personal income in 1989.

Finally, the impact of the Loma Prieta earthquake can be clearly seen in Santa Cruz County's income figures. The county suffered a rare decline in both total and per capita income in 1989, as quake damage to structures was written off against rental and proprietors' income.

PERSONAL INCOME: TOP TEN COUNTIES, 1989

Total Income		$ Mill
1	Los Angeles	174,366
2	Orange	56,000
3	San Diego	45,868
4	Santa Clara	35,544
5	Alameda	26,393
6	San Bernardino	21,473
7	San Francisco	19,398
8	Contra Costa	19,054
9	Sacramento	18,359
10	Riverside	17,872

Total Income Growth		Percent
1	Alpine	25.0
2	Colusa	12.9
3	El Dorado	12.0
4	Placer	11.7
5	Kings	11.1
6	Del Norte	11.1
7	Yolo	11.0
8	Calaveras	10.9
9	Mendocino	10.8
10	Nevada	10.4

Per Capita Income		Dollars
1	Marin	34,983
2	San Mateo	27,659
3	San Francisco	26,454
4	Santa Clara	24,581
5	Contra Costa	24,308
6	Orange	24,288
7	Santa Barbara	21,504
8	Napa	21,417
9	Alameda	20,967
10	Sonoma	20,860

Per Capita Growth		Percent
1	Alpine	19.5
2	Colusa	11.1
3	Inyo	9.9
4	Mendocino	9.2
5	Yolo	8.5
6	Del Norte	8.1
7	Sierra	7.8
8	Kings	7.8
9	Napa	7.7
10	Trinity	7.6

FORECAST UPDATE: WAITING FOR RECOVERY

The following forecasts of the U.S. and California economies were prepared for the May Revision of the Governor's Budget. Information in the forecasts was current as of April 30, 1991. Since that time, there have been minor revisions to historical data, particularly California personal income as detailed in the previous article. However, figures quoted here are those available as of April 30.

The recession, which is now dated from July, 1990, has proved longer and deeper than anticipated last Fall when the Department of Finance prepared its forecast for the Governor's Budget. Virtually every segment of domestic activity, including consumer spending, housing and business fixed investment have been weaker than expected. Only in the export sector has the economy performed better than anticipated. Unfortunately, the improvement in the trade deficit has resulted as much from declining imports--reflecting weak U.S. demand--as from increased exports.

The current forecast still assumes an upturn by mid-year, with second quarter growth in real gross national product essentially zero. However, given that activity began the Spring period well below the average level of the first quarter, a small decline in GNP would not be inconsistent with a mid-year turnaround.

National Outlook. The Fall forecast had assumed that war in the Persian Gulf would be avoided. There is little doubt that the war contributed to the extreme weakness in first quarter consumer spending. The end of the war brought about a resurgence in consumer confidence, but that has yet to be translated into higher sales, especially of cars and other big ticket items. Indeed, following the initial postwar euphoria, confidence indexes eased down again in the latest month.

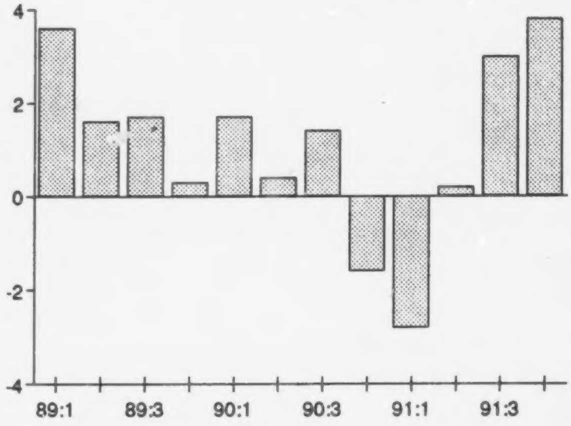
The Federal Reserve responded to the continuing weakness on April 30 by cutting the discount rate to 5-1/2 percent and the Federal funds rate to 5-3/4 percent. This led to a drop in the prime rate to 8-1/2 percent. It is still too early to tell when or if the cumulative effects of monetary policy easing over the past six months will finally stimulate business activity. Moreover, once the upturn gets underway, it could be less vigorous than previous business cycle recoveries. Financial institutions, for instance, have been under pressure to improve their balance sheets. They have raised lending standards to avoid problems such as those which affected the savings and loan industry in recent years. The effects of these credit policies are particularly noticeable in real estate construction and development sector. While this may hold back the initial pace of recovery, it should build a stronger financial base for future years.

Inventories typically have seen large swings during recession and recovery. In recent years, however, business has been far more effective at keeping inventories in line with demand. As a result, there has been no need for the typical massive liquidation, and any pick up in final demand should quickly result in higher production. At the same time, this tightly controlled inventory situation implies less than the usual output boost from restocking.

Export markets are expected by some analysts to provide an engine for growth. But the recent strengthening of the dollar, the prospect of slower growth among major trading partners coupled with a recovery induced pickup in U.S. demand for imported goods all suggest that further improvement in the foreign trade balance may be difficult to achieve.

There are number of other elements which will serve to slow the pace of recovery. Most areas of the country, including California, have excess supplies of

Quarterly Growth in Real GNP
(Annual rate of change)



SELECTED US ECONOMIC DATA
(Dollars in Billions)

	1990	1991	1992
Real gross national product ($82)	4157.3	4150.2	4280.5
% change	1.0	-0.2	3.1
Personal income	4645.6	4812.4	5128.7
% change	6.0	3.6	6.6
Corporate profits before taxes	304.7	293.7	342.1
% change	-1.0	-3.6	13.1
Nonagricultural wage and salary employment (mil.)	110.3	109.7	112.5
% change	1.8	-0.5	2.5
Unemployment rate (%)	5.5	6.8	6.2
Housing starts (mil.)	1.20	1.01	1.26
% change	-13.3	-15.7	24.6
New car sales (mil.)	9.5	8.7	9.7
% change	-4.1	-8.4	11.9
Consumer price index (1982-84 = 100)	130.7	137.1	141.8
% change	5.5	4.9	3.5

commercial office buildings and hotels, which may take several years to work off before nonresidential construction activity returns to a more normal pace. Defense spending continues to trend down, in contrast to the buildup which occurred in the early 1980s. In addition, many state and local governments are coping with massive deficits, which are being redressed with a combination of spending restraint and tax increases. To the extent that state and local governments succeed in bringing their operating budgets into balance, they will act as a constraint on the economic recovery.

Thus, while most signs point to an end to the recession this summer, the typical sharp snap back in activity does not seem to be in the cards. Although a quarter or two of above trend growth in the 4 percent range cannot be ruled out, the economy is more likely to settle into a rather subdued 3 percent growth pattern later this year and throughout 1992. Nonfarm employment, which will decline by a half percent this year, will grow 2-1/2 percent in 1992.

Personal income, following this year's 3-1/2 percent advance--implying a significant drop in inflation adjusted after tax spending power--is projected to rise 6.6 percent in 1992. With inflation in the mid-3 percent range, down from almost 5 percent in 1991, real incomes--and spending--will improve substantially next year.

California Outlook. California has felt the full impact of the national recession, although most broad measures of activity for the state continue to outperform the nation by a narrow margin. Nonagricultural employment, for example, continues to post fractional year-to-year gains in the state, while nationally the number of jobs has declined over the past year.

Even so, the recession may "feel" worse in California, since it came on quite suddenly. The state avoided what business cycle analysts describe as a slowdown (an extended period of below trend growth) which began nationally in early 1989. In California, signs of weakness did not really emerge until early 1990, just a few months before the onset of the recession.

The impact of the recession, both in the state and nation, is centered on goods producing industries, particularly manufacturing and construction. California has lost 165,000 jobs in these industries over the last 15 months, out of a 1.5 million drop nationally--the state's loss is about proportionate to its share of jobs in these industries. One sector which has been significantly impacted is California's high technology group, with employment down 68,000

SELECTED CALIFORNIA ECONOMIC DATA
(Dollars in Billions)

	1990	1991	1992
Personal income *	622.8	650.2	697.2
% change	7.5	4.4	7.2
Nonagricultural wage and salary employment (thous.)	12875	12938	13306
% change	2.4	0.5	2.8
Construction	655	581	599
% change	1.1	-11.3	3.2
Manufacturing	2130	2066	2080
% change	-1.5	-3.0	0.7
Service producing	10050	10249	10587
% change	3.4	2.0	3.3
Unemployment rate (%)	5.6	7.7	6.9
Housing units authorized (thous.)	166	125	187
% change	-30.3	-24.8	50.2
Consumer price index (1982-84 = 100)	135.0	141.3	146.3
% change	5.5	4.7	3.6

* 1990 reflects estimate as of April 30, 1991 and therefore differs from revised data presented elsewhere in this issue of Indicators.

since the start of 1989. This can be attributed to ongoing weakness in computer manufacturing and the decline in defense contracts which has been underway since 1986.

Construction employment is now running more than 10 percent below year earlier levels, and housing permits will do well to total 125,000 units in 1991, down 25 percent from last year's level and about half the pace of the late 1980s. Weakness in nonresidential construction is also contributing to the decline in construction employment.

Other sectors in California remain weak. Trade and finance have shown little or no growth in the last nine months. State and local government continues to gain slowly, although fiscal constraints here as in other states are expected to limit increases for the next two years.

An interesting development has been the slowdown in services. Nationally, only health services have continued to add jobs in recent months. Other services on balance are declining. Services employment is still rising in California, but at a considerably slower pace than in recent years. With both profits and incomes down, firms and individuals are cutting back on purchases of both goods and services.

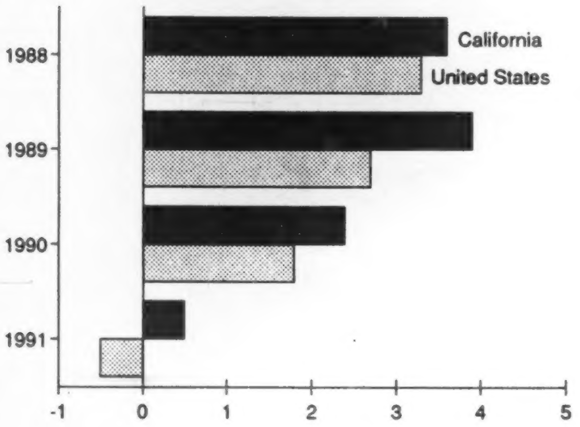
California's jobless rate has risen more than the wage and salary employment figures would suggest, having risen from less than 5 percent in early 1990 to 7.7 percent in March. In part this reflects the state's continuing rapid population growth--nearly two and one-half times the national pace. The unemployment rate is expected to peak near 8 percent this summer and average 7.7 percent for the full year.

Wage and salary employment is expected to post a very small 0.5 percent gain this year in California, but this compares to a 0.5 percent decline nationally. Even this anemic growth may prove unrealistic given the possibility of downward revisions to first quarter employment statistics, particularly for construction and services.

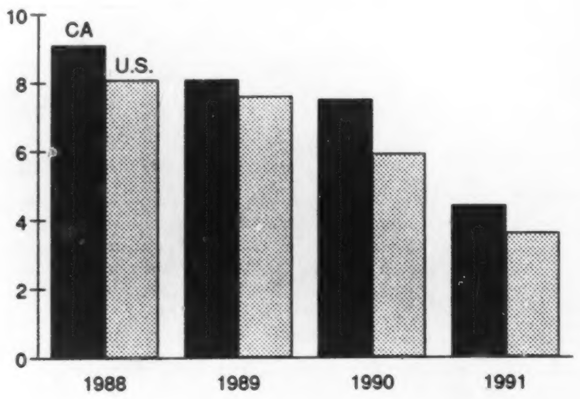
Slower employment growth and moderating wage increases are the primary factors in the reduction in growth rates for personal income. In addition, the decline in interest rates over the past several months has led to an actual drop in interest income. Growth in dividends has fallen off, reflecting the weakening of corporate profits. Nonfarm proprietors' income is growing very slowly, and the combination drought and last winter's severe freeze will result in a decline in farm incomes this year.

Overall, California personal income is expected to advance only 4.4 percent this year, slightly less than the 4.9 percent increase in consumer prices. In 1992, income growth is expected to pick up to more than 7 percent. By then, the aftereffects of the recession should help contain prices in the 3-1/2 percent range, suggesting a fairly sizeable pickup in real incomes next year.

Growth in Wage and Salary Employment
(Percent change)



Personal Income
California and United States
(Percent change)



EMPLOYMENT
(Seasonally Adjusted)

	1991				1990	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
Civilian employment (000)	13,644	13,542	13,763	13,658	13,890	-1.8
Unemployment (000)	1,096	1,124	1,092	1,032	783	40.0
Unemployment rate	7.4	7.7	7.4	7.0	5.3	--
Nonagricultural wage and salary employment a/ (000)	12,900.3	12,875.8	12,908.1	12,935.3	12,820.5	0.6
Mining	41.0	41.3	41.4	41.7	39.6	3.5
Construction	603.7	604.6	616.5	622.5	666.9	-9.5
Manufacturing	2,082.9	2,089.7	2,105.3	2,118.9	2,146.2	-2.9
High technology b/	n.a.	678.2	682.6	686.9	702.8	--
Transportation and public utilities	633.7	632.7	635.0	635.7	626.0	1.2
Trade	3,045.5	3,037.3	3,042.9	3,057.4	3,013.4	1.1
Finance, insurance, and real estate	836.5	836.1	838.0	837.8	835.7	0.1
Services	3,567.2	3,547.1	3,543.0	3,539.7	3,433.5	3.9
Government	2,089.9	2,087.0	2,086.1	2,081.6	2,059.1	1.5
Federal	349.0	349.4	351.2	350.5	365.5	-4.5
State and local	1,740.8	1,737.6	1,734.8	1,731.1	1,693.6	2.8

HOURS AND EARNINGS IN MANUFACTURING

	1991			1990	1990	Yr-Over-Yr
	Mar	Feb	Jan	Dec	Mar	% Change
Average weekly hours c/	40.4	40.1	40.2	41.4	40.7	-0.7
Average weekly earnings c/	$476.32	$470.37	$471.95	$487.28	$461.54	3.2
Average hourly earnings c/	$11.79	$11.73	$11.74	$11.77	$11.34	4.0

PRODUCTION

	1991			1990	1990	Yr-Over-Yr
	Mar	Feb	Jan	Dec	Mar	% Change
Petroleum (000 barrels daily) c/	n.a.	957	949	946	967	--
Portland cement (000 short tons) c/	464.9	652.6	677.2	627.2	948.9	-51.0

TRADE
(Seasonally Adjusted)

	1991			1990	1990	Yr-Over-Yr
	Mar	Feb	Jan	Dec	Mar	% Change
Retail sales ($ millions)	n.a.	18,416	18,283	18,588	18,685	--
New auto registrations (number)	100,820	104,276	115,073	123,580	115,721	-12.9

---

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1991				1990	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
All Urban Consumers Series						
California Average	139.5	139.0	139.0	139.3	133.4	4.6
San Francisco CMSA	135.8	136.3	136.1	136.7	130.7	3.9
Los Angeles CMSA	140.7	139.7	139.9	140.0	134.2	4.8
Wage Earners and Clerical Workers Series						
California Average	135.5	134.9	135.0	135.5	129.9	4.3
San Francisco CMSA	134.2	134.7	134.5	135.3	129.8	3.4
Los Angeles CMSA	136.3	135.3	135.5	135.8	130.2	4.7

CONSTRUCTION

	1991			1990	1990	Yr-Over-Yr
	Mar*	Feb	Jan	Dec	Mar	% Change
Private residential housing units authorized (000) a/	131.2	96.2	98.9	101.5	210.9	-37.8
Single units	82.3	72.7	60.1	62.0	130.2	-36.8
Multiple units	49.0	23.5	38.8	39.6	80.7	-39.3
Residential building authorized valuation (millions) b/	$1,379	$1,133	$1,176	$1,051	$2,004	-31.2
Nonresidential building authorized valuation (millions) b/	$816	$951	$1,007	$954	$1,019	-19.9
Nonresidential building authorized valuation (millions) c/	$850	$820	$779	$842	$1,058	-19.7
Commercial	$319	$301	$243	$334	$394	-19.0
Industrial	59	69	107	141	142	-58.5
Other	89	92	99	75	165	-46.1
Alterations and additions	383	358	329	292	358	7.0

VACANCY RATES FOR DECEMBER 1990
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				8.2
Fresno	18.2	33.5	12.4	
Oakland-East Bay	17.6	16.8	17.8	
Sacramento	13.3	5.6	15.9	
San Francisco	13.9	11.5	17.3	
San Jose	12.1	17.2	10.4	
Southern California				8.8
Bakersfield	21.5	29.7	17.6	
Los Angeles	17.9	15.8	18.4	
Orange County	20.7	--	20.7	
San Diego	19.5	13.1	21.3	
Ventura County	27.1	--	27.1	
National Average	19.5	17.1	20.4	7.4

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding. Percent changes calculated from unrounded data.
* Reflects surge in San Diego County March permits due to water conservation regulations effective in April.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1989		1990				1991	
Jul	$201,653	Jan	$194,950	Jul	$194,100	Jan	$190,960
Aug	199,385	Feb	197,180	Aug	193,290	Feb	194,960
Sep	198,743	Mar	196,620	Sep	190,520	Mar	202,470
Oct	193,734	Apr	197,110	Oct	188,220		
Nov	193,581	May	196,090	Nov	192,280		
Dec	188,477	Jun	194,820	Dec	191,310		

LEADING INDICATORS a/

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1990	Jan	3.9	40.5	4,742
	Feb	3.8	40.4	3,995
	Mar	3.8	40.5	3,920
	Apr	3.4	39.7	4,126
	May	3.9	40.6	4,139
	Jun	3.8	40.7	3,768
	Jul	3.8	40.8	3,786
	Aug	3.8	40.8	3,541
	Sep	3.8	40.8	3,294
	Oct	3.7	40.6	3,511
	Nov	3.8	40.5	3,112
	Dec	3.7	40.8	2,943
1991	Jan	3.7	40.5	4,009
	Feb	3.6	40.2	3,640
	Mar	3.6	40.2	3,391

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1990	Jan	55,628	236.9
	Feb	56,733	225.5
	Mar	56,510	210.9
	Apr	57,020	184.6
	May	61,002	175.6
	Jun	61,235	177.3
	Jul	61,829	160.6
	Aug	64,617	151.1
	Sep	67,339	145.4
	Oct	68,422	112.5
	Nov	68,987	104.2
	Dec	69,585	101.5
1991	Jan	71,815	98.9
	Feb	74,149	96.2
	Mar	88,319	131.2 *
	Apr	79,839	n.a.

* Reflects surge in March permits in San Diego County due to water conservation regulations effective in April.

a/ Seasonally adjusted n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1990	Jan	12,776	2,147	5.1	332
	Feb	12,808	2,148	4.9	342
	Mar	12,845	2,148	5.2	346
	Apr	12,820	2,146	5.3	350
	May	12,907	2,149	5.4	370
	Jun	12,926	2,148	5.1	362
	Jul	12,886	2,131	5.3	391
	Aug	12,955	2,131	5.5	368
	Sep	12,902	2,122	5.9	401
	Oct	12,862	2,125	6.1	430
	Nov	12,871	2,112	6.5	445
	Dec	12,887	2,110	6.8	452
1991	Jan	12,935	2,119	7.0	498
	Feb	12,908	2,105	7.4	521
	Mar	12,876	2,090	7.7	532
	Apr	12,900	2,083	7.4	599

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1989	Qtr I	563,515	85,726	65,423
	Qtr II	574,249	86,141	67,513
	Qtr III	587,873	87,422	69,324
	Qtr IV	591,121	89,650	69,573
1990	Qtr I	611,069	90,199	70,547
	Qtr II	617,298	90,113	70,539
	Qtr III	627,526	90,308	70,266
	Qtr IV	637,175	90,830	70,494
1991	Qtr I	638,859	90,306	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: b/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125
	Qtr IV	n.a.	
1990	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	5,777	22,312

		Electricity Production (Million KWH)
1989	Jul	11,112
	Aug	10,899
	Sep	11,068
	Oct	10,705
	Nov	10,831
	Dec	10,722
1990	Jan	10,355
	Feb	8,809
	Mar	9,125
	Apr	9,286
	May	9,504
	Jun	9,569
	Jul	9,724
	Aug	9,872
	Sep	10,228
	Oct	10,284
	Nov	8,577
	Dec	8,958
1991	Jan	8,862
	Feb	7,725

a/ Seasonally adjusted b/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

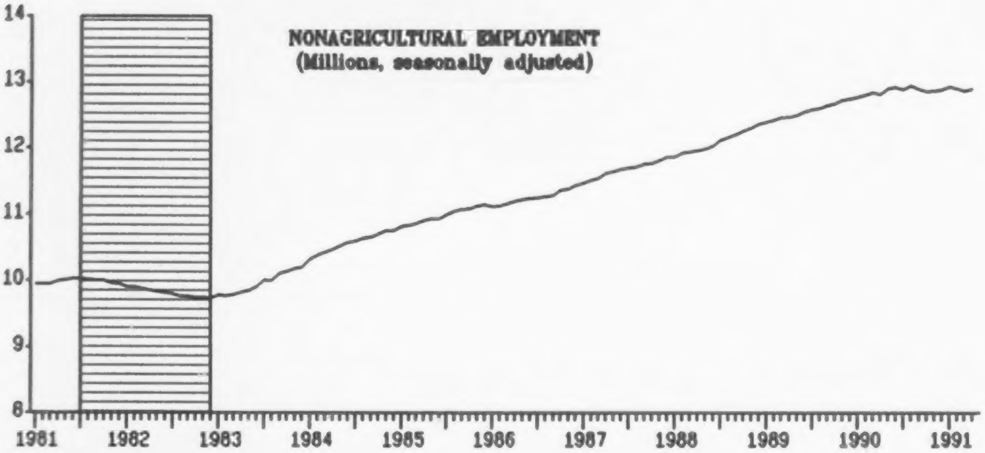
Manufacturing Employment

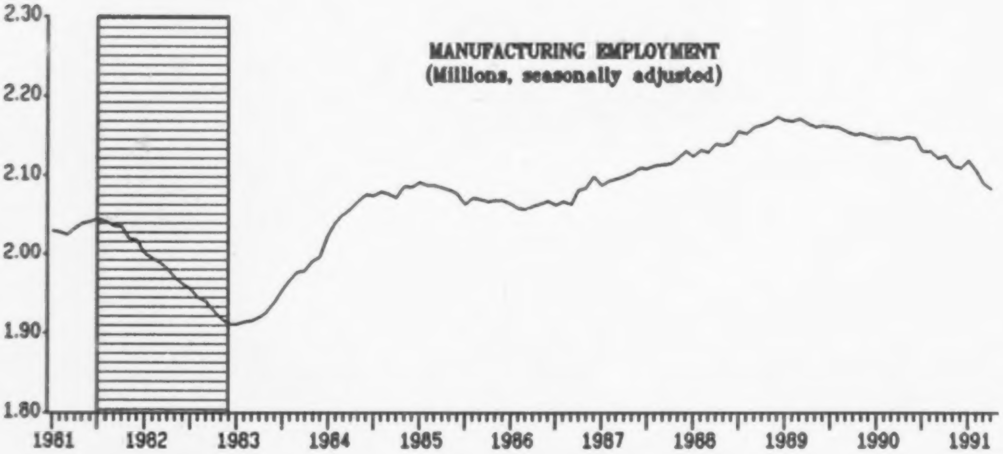
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

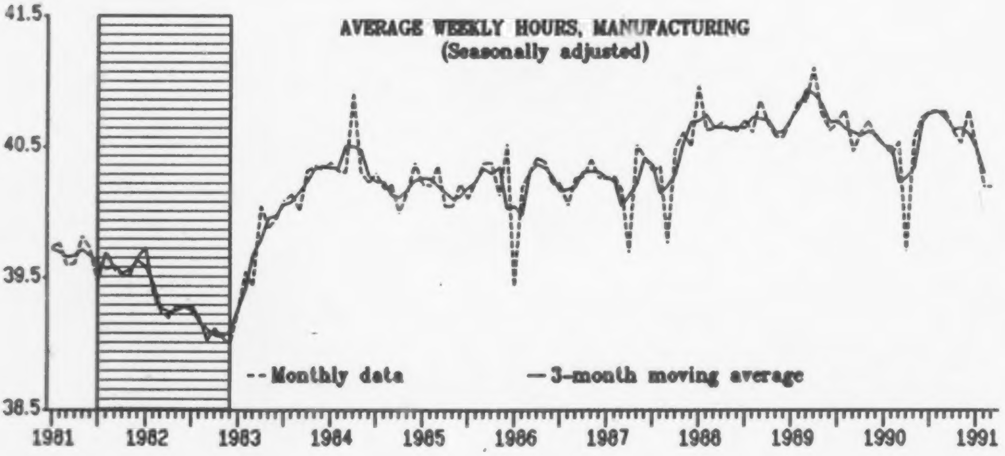
Taxable Sales

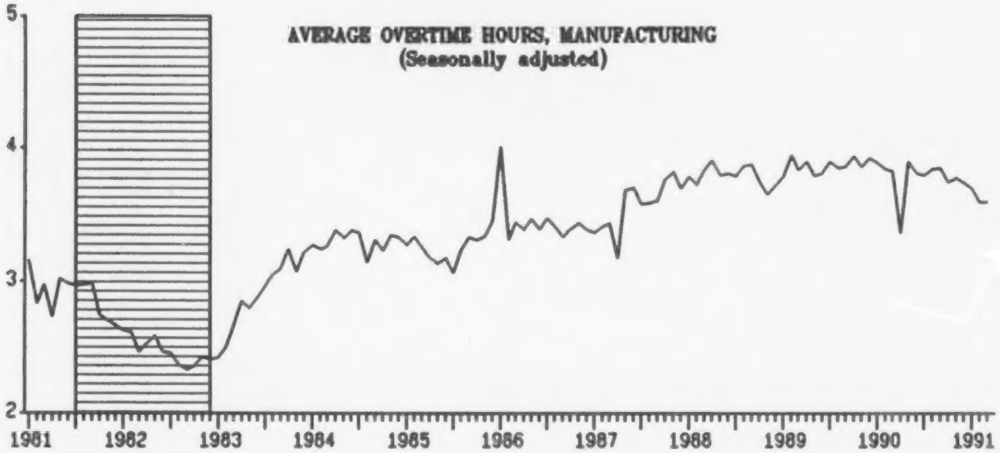
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

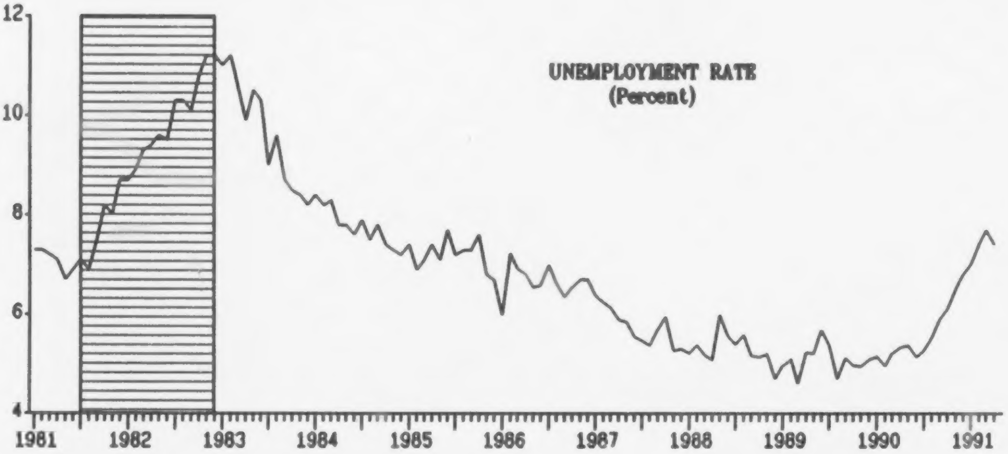
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

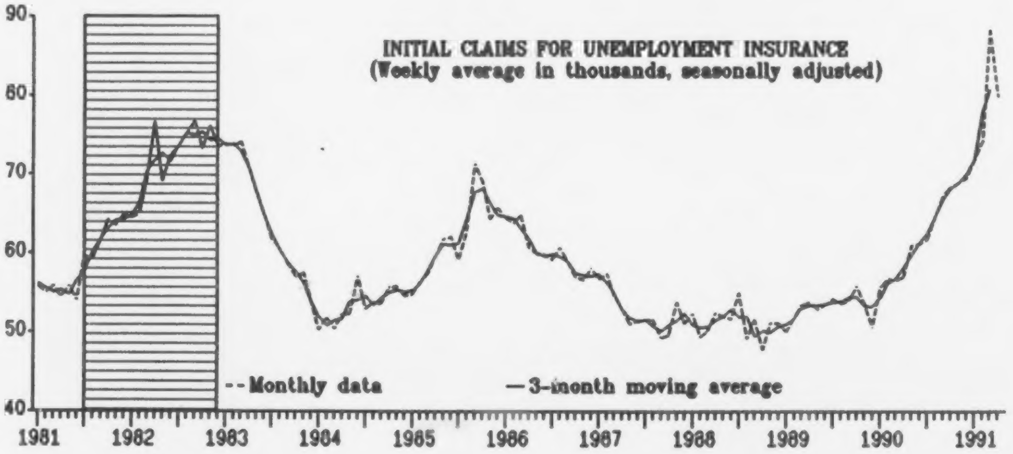

NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)
14
13
12
11
10
9
8
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

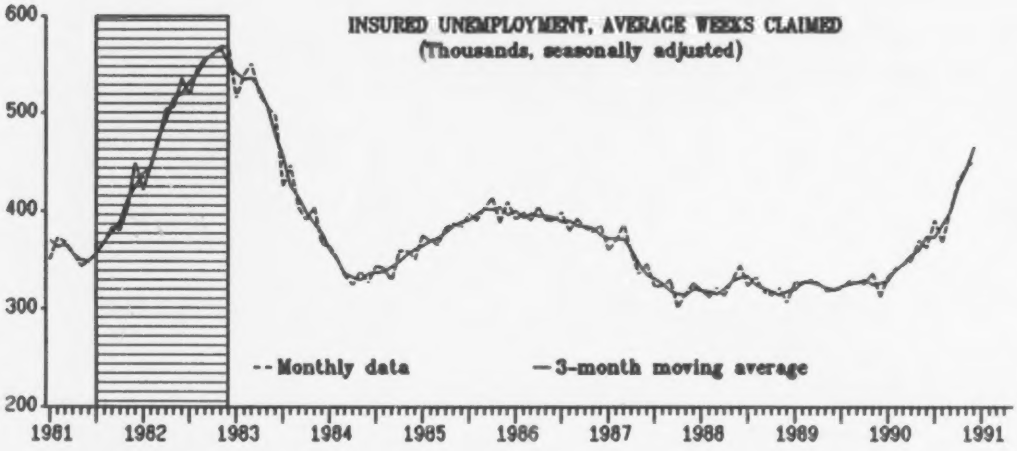

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

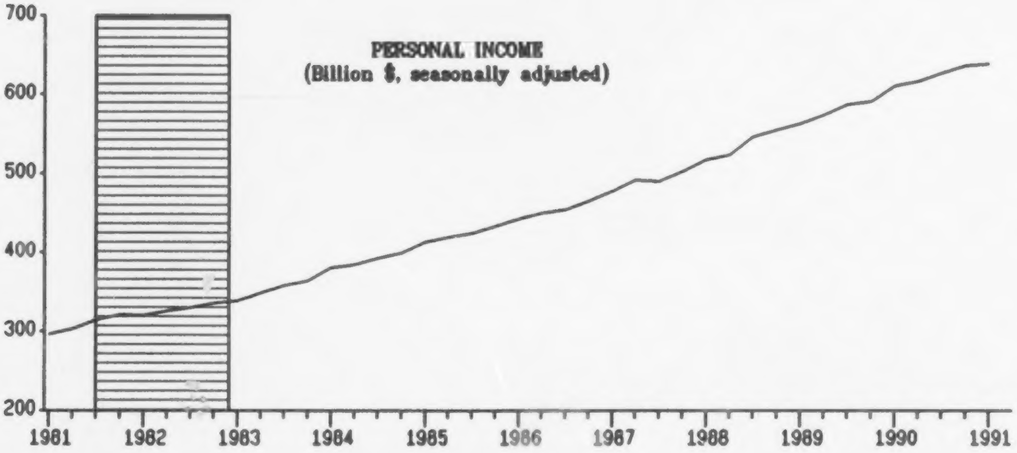

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
--Monthly data
—3-month moving average
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

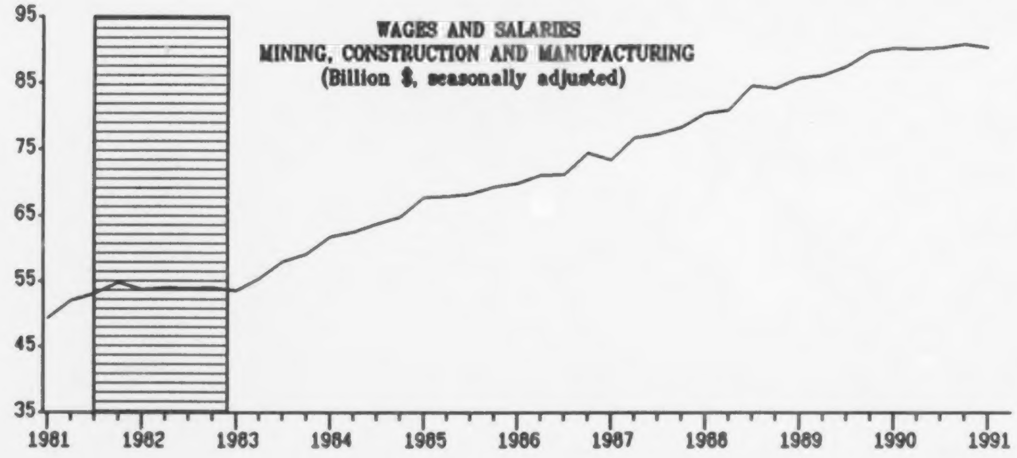

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

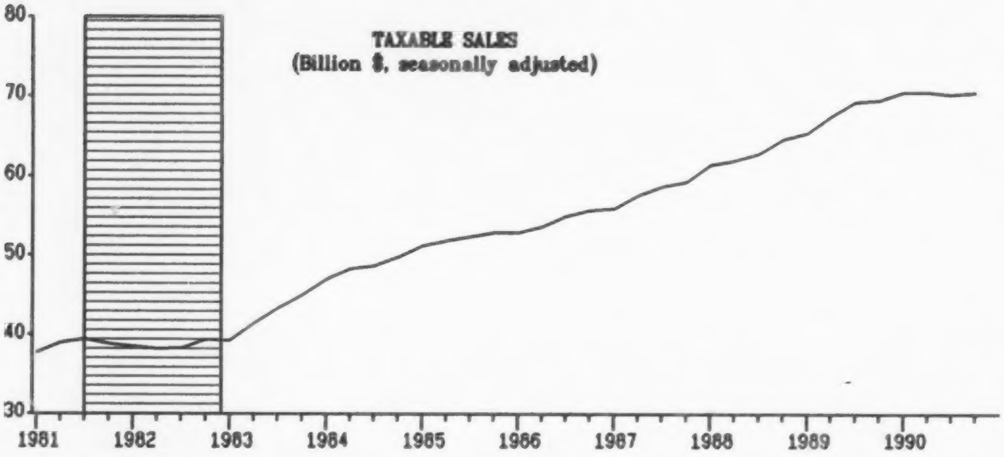

UNEMPLOYMENT RATE
(Percent)

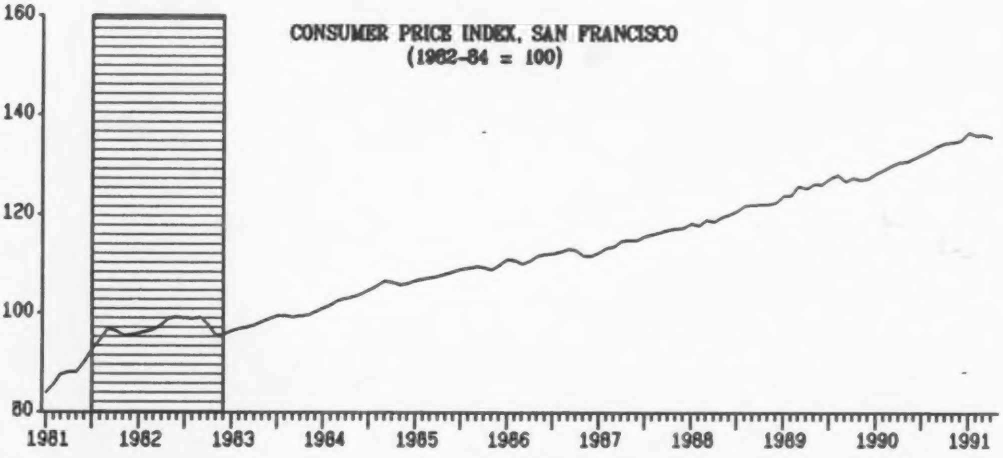

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

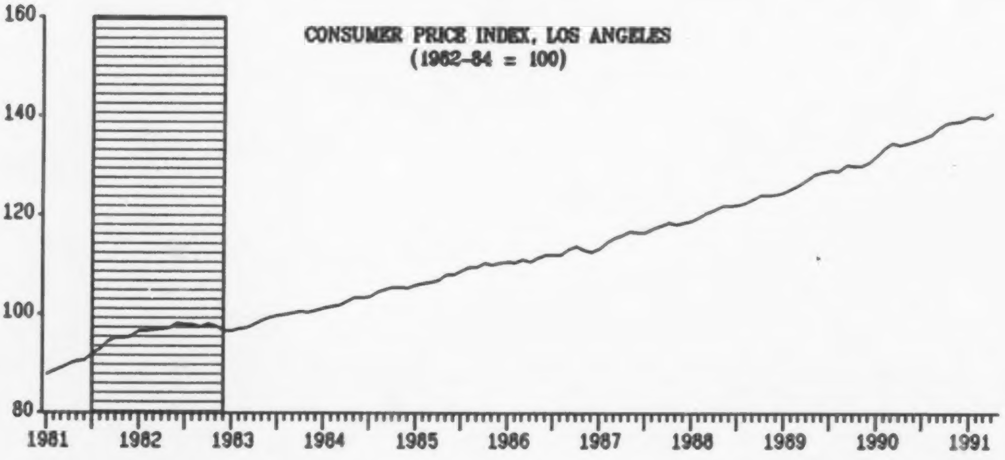

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

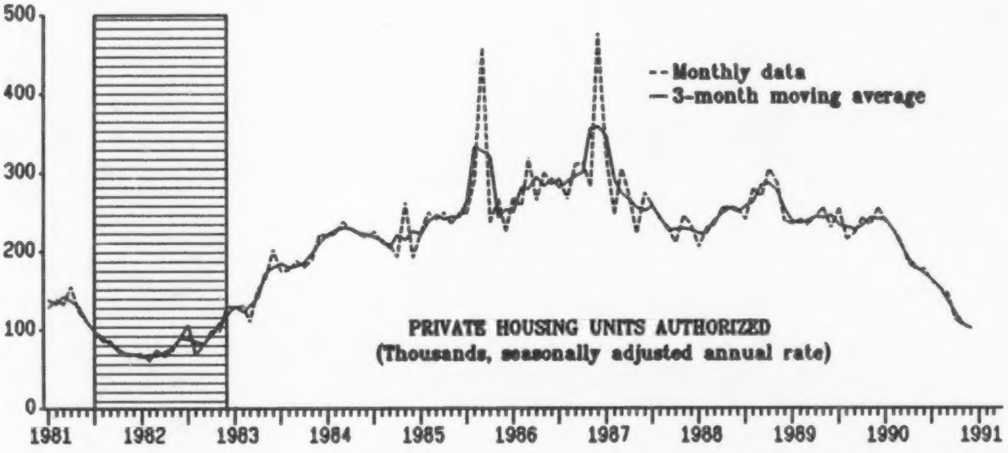

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

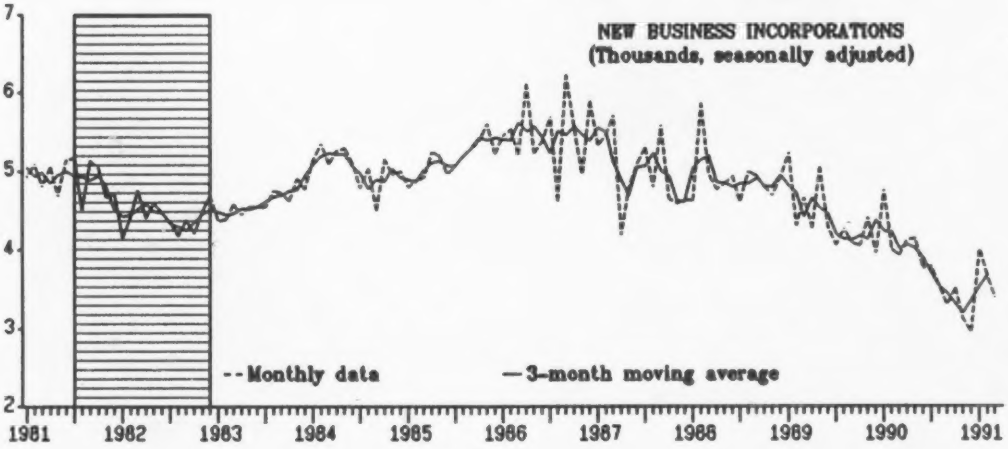

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

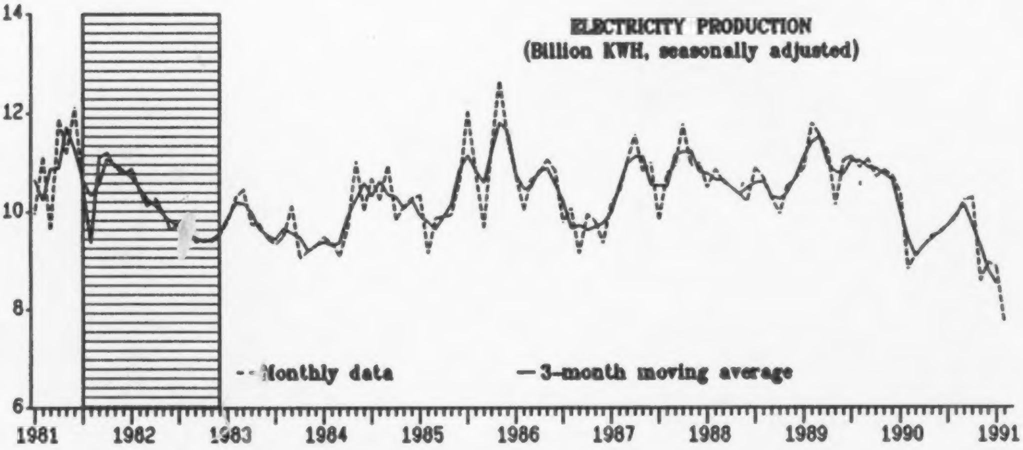

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


--Monthly data
—3-month moving average
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
7
6
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
--Monthly data
—3-month moving average
14
12
10
8
6
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

1980--continued

April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

	1981--Continued
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

	1981--Continued
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

1982--continued

April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

1982--Continued

	highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

1987--Continued

January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

1987--Continued

May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 1	California fuel tax increase of 5 cents per gallon.
August 2	Iraq invades Kuwait.

1990--Continued

September 9	California population reaches 30 million according to California Department of Finance.
November 30	Index of leading indicators declines for fourth month in a row.
December 1	Federal gasoline tax increase of 5 cents per gallon.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 1	California fuel tax increase of one cent per gallon.
January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent.
	Prime rate reduced from 9-1/2 percent to 9 percent.
February 26	Iraqi troops withdraw from Kuwait.
February 27	President Bush orders a cease fire in the war against Iraq.
April 1	Federal minimum wage raised from $3.80 to $4.25.

CHRONOLOGY--Continued

1991--Continued

April 23	Lockheed-Georgia awarded F-22 Air Force contract.
April 30	Discount rate cut from 6 percent to 5-1/2 percent.
May 1	Prime rate reduced from 9 percent to 8-1/2 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1990

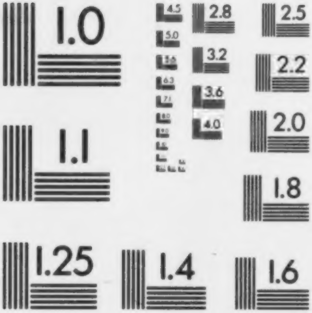
Initial Trough	Peak	Terminal Trough	Expansion (months)	Contraction (months)	Total (months)
Dec. 1854	June 1857	Dec 1858	30	18	48
Dec. 1858	Oct. 1860	June 1861	22	8	30
June 1861	April 1865	Dec. 1867	46	32	78
Dec. 1867	June 1869	Dec. 1870	18	18	36
Dec. 1870	Oct. 1873	March 1879	34	65	99
March 1879	March 1882	May 1885	36	38	74
May 1885	March 1887	April 1888	22	13	35
April 1888	July 1890	May 1891	27	10	37
May 1891	Jan. 1893	June 1894	20	17	37
June 1894	Dec. 1895	June 1897	18	18	36
June 1897	June 1899	Dec. 1900	24	18	42
Dec. 1900	Sept. 1902	Aug. 1904	21	23	44
Aug. 1904	May 1907	June 1908	33	13	46
June 1908	Jan. 1910	Jan. 1912	19	24	43
Jan. 1912	Jan. 1913	Dec. 1914	12	23	35
Dec. 1914	Aug. 1918	March 1919	44	7	51
March 1919	Jan. 1920	July 1921	10	18	28
July 1921	May 1923	July 1924	22	14	36
July 1924	Oct. 1926	Nov. 1927	27	13	40
Nov. 1927	Aug. 1929	March 1933	21	43	64
March 1933	May 1937	June 1938	50	13	63
June 1938	Feb. 1945	Oct. 1945	80	8	88
Oct. 1945	Nov. 1948	Oct. 1949	37	11	48
Oct. 1949	July 1953	May 1954	45	10	55
May 1954	Aug. 1957	April 1958	39	8	47
April 1958	April 1960	Feb. 1961	24	10	34
Feb. 1961	Dec. 1969	Nov. 1970	106	11	117
Nov. 1970	Nov. 1973	March 1975	36	16	52
March 1975	Jan. 1980	July 1980	58	6	64
July 1980	July 1981	Nov. 1982	12	16	28
Nov. 1982	July 1990	-----	92	--	--

SOURCES OF STATISTICAL SERIES

State of California:	
Board of Equalization	Taxable sales
Employment Development Department Labor Market Information Division	Civilian employment Unemployment Unemployment rate Hours and earnings
Unemployment Insurance Divsion	Unemployment insurance, initial claims and average weeks claimed
Department of Finance	Personal income Wages and salaries Nonagricultural employment
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Motor Vehicles	New auto registrations
Secretary of State	New business incorporations
California Association of Realtors	Existing family home data
Coldwell Banker	Nonresidential vacancy rates
Conservation Committee of California Oil Producers	Petroleum production
Construction Industry Research Board	Construction data
Economic Sciences Corporation	Construction data
U.S. Department of Commerce Bureau of the Census	Retail sales
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
U.S. Department of the Interior Bureau of Mines	Cement production
U.S. Department of Labor Bureau of Labor Statistics	Consumer price indices

MICROCOPY RESOLUTION TEST CHART

(ANSI and ISO TEST CHART No. 2)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CALIFORNIA ECONOMIC INDICATORS
July/August 1991

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF RECENT ECONOMIC DEVELOPMENTS

As is so often the case near the turning point of a business cycle, California economic data are sending mixed signals. Most indicators of activity have thus far failed to embark on a sustained upward trend. Nonagricultural employment, for example, rose during April, only to fall back in May and June. Preliminary July estimates indicate an uptick, but whether this stands up to revision remains to be seen.

Likewise, the state's jobless rate has traced an up and down pattern over the last four months, with the July reading of 7.6 percent a welcome drop from June's 8.2 percent figure. Initial unemployment claims, which had fallen sharply after reaching a one week peak of 89,000 in March, are starting to rise again. After declining to 65,600 in May, jobless applications jumped to 75,000 in mid-June and nearly 78,000 during the comparable July week.

Retail sales are also showing a see-saw pattern, but remain steadfastly below year ago levels (before adjusting for inflation) through the first five months of the year. The U.S. Commerce Department's monthly survey shows a year-to-date drop of about 1-½ percent, although sales tax data (which exclude groceries and prescription medicine) suggest the decline may be closer to 4 percent.

The fledgling recovery in the residential sector is now in question. The California Association of *Realtors* reported a near 8 percent decline in existing home sales during June, after several months of solid gains. The home sales data reflect escrows closed, but there are indications that new escrows continued to lag in June and July, suggesting some further weakness in the existing market through the summer.

New home construction activity also stumbled in June, after three months of increases. Building permit volume fell to a 110,000 unit annual rate from 118,000 in May and was 37 percent below the year earlier pace. Again, reports from the field suggest little if any movement in new home construction during the summer period.

Nonresidential construction activity reached a new cyclical low in June, with permits issued at a $7.6 billion annual rate, down from $10.4 billion in May and from the previous low of $9.9 billion in March. The weakness reflects poor conditions in the market for commercial offices and retail space. In California, office vacancy rates are generally below the national average and declining in the northern half of the state, including most of the San Francisco Bay Area and Sacramento. In the south--and particularly Los Angeles--vacancies are on the rise, reflecting weaker labor markets and a large supply of new buildings. Still, overall commercial markets in California appear in better balance than in the Southwest or Northeast regions of the country, where overbuilding has been most severe.

Recession's End? Nationally, many observers are encouraged by the preliminary 0.4 percent rise in second quarter real gross national product and the five consecutive gains in the index of leading economic indicators. U.S. housing starts have risen moderately from early year lows, and there is a halting increase in consumer spending from dismal winter levels. But May's gains in nonfarm employment were not confirmed in the June and July figures, and the improvement in the national jobless rate to 6.8 percent from June's 7 percent figure reflected a drop in the workforce rather than an increase in employment.

Despite these conflicting signals, most analysts believe the recession hit bottom during the spring quarter. Still, there is ample reason for doubt, and considerable risk of a relapse or "double dip" recession. It is useful to note, for example, that in five of the last eight recessions, there has been a one-quarter rebound in real GNP, followed by a renewed drop off in activity. However, these "false starts" usually reflect belated inventory liquidations, which on this occasion seems less likely given the already large declines in manufacturing and trade inventories.

A second and perhaps more valid concern relates to the financial sector. There has been no sustained decline in longer term interest rates--the U.S. Treasury's 30 year bond has moved aimlessly in the 8 to 9 percent range over the past three years, settling recently around 8-½ percent. Lower long term interest rates would encourage a more vigorous upturn in housing and business investment. The banking industry continues to grapple with bad loans and stricter capital requirements, and credit problems have now spread to the life insurance industry, which in the past has been an important supplier of long term funds to the capital markets. Finally, despite the sharp reduction in short term interest rates engineered by the Federal Reserve early this year, annual money supply growth in the area of 3 percent--near the bottom of the Fed's M2 target--implies little if any future growth in real GNP.

In short, while recent signs of economic revival are encouraging--both in California and nationally--it would be prudent to await a few more months of sustained improvement in key indicators before declaring an end to the recession.

Moreover, the picture of a mild, relatively short downturn may also be called into question, even if the second quarter proves to be the trough. Very preliminary payroll reports for the early months of 1991 suggest that both employment and personal income in California will be revised down, and payroll withholding tax experience also implies a weaker spring quarter than the employment data now suggest. California accounts for about 13-½ percent of the nation's income and 12-½ percent of nonfarm employment.

NONFARM EMPLOYMENT - MAJOR METRO AREAS
June 1990-91 in Thousands
Not Seasonally Adjusted

	June 1991	% Change June 90-91
Los Angeles Area	6,476.1	-1.0
Los Angeles County	4,266.8	-1.4
Orange County	1,215.5	-1.4
Riverside-San Bernardino	757.5	2.0
Ventura County	236.3	-1.0
San Diego County	995.0	-0.7
Santa Barbara County	152.7	-0.5
Bay Area	3,013.2	0.1
Oakland*	908.5	0.5
San Francisco**	981.6	0.3
Santa Clara County	828.8	-1.2
Sonoma County	150.6	3.6
Napa-Solano	143.7	0.4
Monterey County	115.3	0.7
Central Valley		
Bakersfield	176.1	1.9
Fresno	244.5	4.8
Modesto	121.0	1.5
Sacramento	636.1	0.6
Stockton	157.8	0.6
California Total#	12,882.3	-0.6

* Alameda and Contra Costa counties
** San Francisco, San Mateo, Marin counties
# Based on official EDD series for comparability

Nationally, the Commerce Department has already indicated that the rebasing of real GNP to 1987 prices will nearly double the rate of decline in fourth quarter 1990 economic activity, when major revisions are released later this year. When current estimates of personal income and profits are replaced with figures from payroll records and tax returns (probably in 1992 and 1993), further downward revisions can be expected.

Regional Pattern. The recession has not had a uniform impact across the state's economy. This has been true among industries--construction and manufacturing have been hardest hit. This fact is reflected in the regional pattern of employment change over the past year. Generally, Southern California, with its heavy emphasis on manufacturing--particularly defense related aerospace--has been harder hit than the northern part of the state.

In the Southland, all metropolitan areas except booming Riverside-San Bernardino experienced year-to-year employment declines in June, and even in the two rapidly growing inland counties, growth slowed to 2 percent from the 7-8 percent gains of recent years. Overall, the five county Los Angeles region posted a 1 percent decline in nonfarm jobs in the year to June.

In the north, only Santa Clara County, with its large electronics manufacturing base, posted an annual drop in jobs. The nine Bay Area counties in total were roughly unchanged on the year. Despite drought and freeze, the Central Valley continued to grow, led by a very respectable 4.8 percent jump in Fresno County. Gains in Fresno were fairly widespread. Manufacturing nearly held even, and construction managed a small increase. Major job growth was in services and government, each adding roughly 4,000 of the area's 11,000 new jobs over the past year.

FOREIGN INVESTMENT IN CALIFORNIA

Foreign direct investment in California amounted to $49.1 billion in 1988, according to an annual survey by the U.S. Department of Commerce. The state accounted for a little over 12 percent of all foreign investment in the U.S. This is slightly less than the state's share of the nation's economy, estimated at about 13-½ percent, based on personal income or gross regional product.

Foreign ownership in this survey is defined to include any stake of 10 percent or more whose ultimate beneficial owner (UBO) is a foreign national. As a practical matter, most foreign owned enterprises--using this broad definition--are also foreign controlled. The Commerce Department estimates that a more restrictive definition of foreign majority ownership would reduce the foreign total by less than 20 percent.

Small Stake. Foreign investment represents a relatively small share of California's total economy. For example, the survey found 390,000 employees in companies with foreign investment. This equalled 3.2 percent of 1988 nonfarm wage and salary employment in California and 2.9 percent of total civilian employment.

Although exact figures on the total value of fixed assets in California are not available, the Board of Equalization lists $1.5 trillion in property assessments in 1988-89. Given Proposition 13, which dictates that assessments be carried at the 1975 value or subsequent purchase price, subject to a 2 percent annual inflation factor, the total value of California assets is probably well in excess of $2 trillion. On this basis, the $49.1 billion of foreign investment represents at most 2-½ percent of the state's capital stock.

FOREIGN DIRECT INVESTMENT, 1988
TOP TEN STATES a/

	Number of Affiliates	Gross Property, Plant, and Equipment of Affiliates ($ mill.) Total	Com'l	Other	Employment (Thous.)
California	2,282	$49,123	$18,687	$30,436	390.3
Texas	1,558	44,798	9,677	35,121	226.2
New York	1,692	26,341	15,039	11,302	329.7
Alaska	127	17,982	252	17,731	7.7
Illinois	1,116	16,216	4,451	11,765	206.6
Ohio	664	16,010	2,788	13,222	166.5
Louisiana	424	15,346	1,416	13,930	53.7
New Jersey	983	13,558	3,555	10,003	196.0
Pennsylvania	698	11,661	2,595	9,066	177.7
N. Carolina	581	11,420	1,659	9,761	153.9

a/ Ranked by value of Gross Property, Plant, and Equipment.

On an industry basis, manufacturing and real estate each account for about one quarter of the state's total foreign investment. In this survey, "real estate" is best described as "income property"--offices, apartments, etc. which produce rental income--rather than the traditional employment based definition of real estate agents and managers.

California accounts for about 22 percent of all foreign investment in U.S. income producing real estate (but a far lesser proportion of total real estate, which is scattered through all industries, plus residential properties not covered in the survey). California also has a relatively high share of foreign investment in service industries. In most other sectors, California's share of U.S. foreign investment is below the state's share of the national industry.

Among the major states, Texas has a far larger share of foreign investment in its economy than does California. With an economy less than half the size of California's, Texas has 90 percent as much foreign investment. Not surprisingly, petroleum is the major factor in Texas--Royal Dutch Shell and British Petroleum are two of the largest petroleum companies operating in the U.S.

Mainly European. There is a widely held perception that the Japanese are the dominant foreign players in the California market, and indeed Japan is the largest single investor at $10.3 billion. But the Netherlands is a close second at $9.9 billion, followed by Canada ($8 billion) and the United Kingdom ($6.3 billion). All told, Europe accounts for just under half of total foreign investment in California.

Japanese investment has probably been more visible and purchases more recent. Japanese interests own several large hotels and office buildings in downtown Los Angeles and San Francisco, and recently purchased a major golf resort on the Monterey Peninsula. But the Dutch have long been major owners in the petroleum industry and in household products, to name two prominent industries.

Welcome and Necessary. To some, foreign investment in California and the U.S. is a matter of concern. There are worries that foreigners are "buying up" prime assets and that this could somehow be detrimental to our economic freedom. But as these figures show, foreign ownership accounts for a very small share of total assets in the state or the nation, and is certainly not on a scale to threaten the state's economic sovereignty.

Moreover, in a nation which has one of the lowest private savings rates in the industrialized world--and with much of the savings consumed by huge Federal budget deficits--there is little doubt that there is considerable need for this infusion of foreign investment if the capital stock is to grow and keep pace with technology.

In addition, the world economy is becoming more and more integrated. To the extent that foreign firms are attracted to California, the state stands a better chance of fully participating in the expansion of global trade. In many cases, foreign owned firms have located production facilities in California, a fact which helps reduce the nation's trade deficit. Sony's home electronics operations in San Diego and the General Motors/Toyota joint venture in Fremont are prime examples of foreign investments which create jobs and help reduce the trade deficit.

SELECTED STATISTICS ON FOREIGN DIRECT INVESTMENT IN CALIFORNIA, NONBANK AFFILIATES, 1988
($ millions)

BY COUNTRY

		Gross Property, Plant, and Equipment					
Country	Number of Affiliates	Total	CA % of U.S.	Commercial	CA % of U.S.	Employment (Thous.)	CA % of U.S.
Canada	227	$7,951	9.0	$3,940	16.5	59.2	8.3
Europe, total	1,004	22,901	10.4	4,658	11.9	201.5	9.2
France	130	1,942	7.5	391	10.7	21.1	8.5
Germany	182	2,449	8.2	561	11.5	25.9	6.9
Netherlands	62	9,936	19.5	474	6.5	31.6	10.5
Switzerland	123	1,061	6.9	213	6.9	22.3	11.0
United Kingdom	344	6,305	8.4	2,535	16.9	77.0	10.5
Latin America/other	120	1,382	13.3	788	21.6	13.2	11.4
Africa	18	182	2.1	122	32.2	1.0	4.3
Middle East	69	1,939	13.2	1,405	15.2	2.7	6.0
Asia/Pacific, total	834	14,541	24.0	7,720	34.2	109.9	19.8
Australia	61	1,085	10.2	723	28.2	13.8	14.2
Japan	587	10,352	23.8	5,431	32.4	82.2	20.5
U.S.	10	227	7.6	55	5.1	2.9	8.7
All countries	2,282	49,123	12.1	18,687	18.7	390.3	10.6

BY INDUSTRY

	Gross Property, Plant, and Equipment					
Industry	Total	CA % of U.S.	Commercial	CA % of U.S.	Employment (Thous.)	CA % of U.S.
Petroleum	$10,281	11.0	$348	6.8	9.5	7.1
Manufacturing, total	12,902	8.4	1,191	13.1	166.3	9.4
Food products	1,313	12.7	150	16.5	17.5	10.3
Chemicals	2,564	4.4	354	14.5	27.5	7.2
Primary, fabricated metals	1,715	8.0	75	8.3	13.3	6.7
Machinery	3,001	15.8	105	10.7	46.7	11.4
Other manufacturing	4,310	9.6	507	13.2	61.3	10.2
Wholesale trade	3,399	14.0	1,569	25.4	58.9	17.8
Retail trade	1,854	9.9	1,249	12.1	48.1	7.1
Finance, except banking *	235	5.2	72	6.9	9.9	10.4
Insurance	363	8.7	276	10.1	12.0	11.8
Real estate	12,765	22.1	11,038	22.0	6.4	18.8
Services	3,000	17.7	2,058	18.8	51.2	15.6
Other	4,324	13.4	885	19.9	27.9	13.0
All industries	49,123	12.1	18,687	18.7	390.3	10.6

* Holding companies are included in "finance, except banking".

GUIDE TO FOREIGN DIRECT INVESTMENT TABLES

Affiliate: U.S. business enterprise in which there is foreign direct investment. (i.e. at least 10 percent of an enterprise's voting securities is owned or controlled by a foreign person/entity.) These tables represent only nonbank U.S. affiliates. The number of state affiliates cannot be compared to the U.S. total as the affiliate is counted once in the U.S. total and once in each state where it has property, plant and equipment. The sum of the states, therefore, is greater than the total.

Employment/value estimates: The data are not adjusted to reflect the percent of foreign ownership. The estimates include the total employment/value of each affiliate even though foreign ownership may be less than 100 percent. Survey information indicates, however, that most foreign investors own a majority share of the affiliate.

Industry classification: Classification is based on the affiliate's U.S. operations as a whole, which may differ from the affiliate's activity in a particular state.

Country classification: Data are by country of ultimate beneficial owner. (UBO) A foreign parent is the first person/entity outside the United States in an affiliate's ownership chain that has a direct investment interest. The UBO is that person/entity, proceeding up the ownership chain beginning with the foreign parent, that is not more than 50 percent owned by another. The UBO is that entity which ultimately owns or controls and thus, derives the benefits from owning the affiliate. A UBO, unlike a foreign parent, may be a U.S. entity.

Commercial property: Gross book value of all commercial buildings and associated land owned by the affiliate. Includes apartment, office, and bank buildings, hotels/motels, shopping centers, department stores, restaurants, service stations, public garages, and recreational facilities.

Other property: Gross book value of property, plant, and equipment used for agriculture, mining, manufacturing, oil and gas extraction, oil refining, passenger and freight transportation, utilities, and equipment used in commercial buildings.

Source: U.S. Department of Commerce, Bureau of the Census
Foreign Direct Investment in the United States, Preliminary 1988 Estimates.

EMPLOYMENT
(Seasonally Adjusted)

	1991				1990	Yr-Over-Yr
	Jun	May	Apr	Mar	Jun	% Change
Civilian employment (000)	13,545	13,530	13,644	13,542	14,024	-3.4
Unemployment (000)	1,208	1,125	1,096	1,124	759	59.2
Unemployment rate	8.2	7.7	7.4	7.7	5.1	--
Nonagricultural wage and salary employment a/ (000)	12,842.6	12,855.4	12,878.7	12,855.5	12,926.4	-0.6
Mining	40.8	40.7	41.1	41.0	40.0	2.0
Construction	602.6	607.5	608.2	603.3	667.5	-9.7
Manufacturing	2,045.6	2,056.7	2,070.5	2,078.3	2,147.6	-4.7
High technology b/	n.a.	659.9	664.2	669.8	703.1	--
Transportation and public utilities	630.1	629.1	631.9	632.4	629.9	0.0
Trade	3,025.9	3,031.2	3,036.0	3,032.4	3,033.4	-0.2
Finance, insurance, and real estate	831.7	832.7	834.5	835.6	841.6	-1.2
Services	3,573.7	3,567.8	3,565.0	3,543.7	3,486.3	2.5
Government	2,092.2	2,089.7	2,091.5	2,088.7	2,080.2	0.6
Federal	347.0	347.1	348.8	348.9	376.9	-7.9
State and local	1,745.2	1,742.7	1,742.7	1,739.8	1,703.3	2.5

HOURS AND EARNINGS IN MANUFACTURING

	1991				1990	Yr-Over-Yr
	May	Apr	Mar	Feb	May	% Change
Average weekly hours c/	40.5	40.3	40.5	40.1	40.4	0.2
Average weekly earnings c/	$478.71	$474.33	$475.07	$470.37	$462.18	3.6
Average hourly earnings c/	$11.82	$11.77	$11.73	$11.73	$11.44	3.3

PRODUCTION

	1991				1990	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
Petroleum (000 barrels daily) c/	948	930	957	949	967	-2.0
Portland cement (000 short tons) c/	820.6	464.9	652.6	677.2	893.9	-8.2

TRADE
(Seasonally Adjusted)

	1991				1990	Yr-Over-Yr
	May	Apr	Mar	Feb	May	% Change
Retail sales ($ millions)	18,555	18,761	18,333	18,235	18,813	-1.4
New auto registrations (number)	112,730	111,467	100,820	104,276	119,931	-6.0

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1991				1990	Yr-Over-Yr
	Jun	May	Apr	Mar	Jun	% Change
All Urban Consumers Series						
California Average	140.1	139.7	139.5	139.0	134.3	4.3
San Francisco CMSA	137.6	136.2	135.8	136.3	131.6	4.6
Los Angeles CMSA	140.8	140.8	140.7	139.7	135.0	4.3
Wage Earners and Clerical Workers Series						
California Average	136.1	135.8	135.5	134.9	130.8	4.1
San Francisco CMSA	136.0	134.8	134.2	134.7	130.7	4.1
Los Angeles CMSA	136.4	136.5	136.3	135.3	131.1	4.0

CONSTRUCTION

	1991				1990	Yr-Over-Yr
	Jun	May	Apr	Mar*	Jun	% Change
Private residential housing units authorized (000) a/	111.0	119.4	109.5	130.9	177.1	-37.3
Single units	75.0	79.9	87.3	82.2	111.9	-33.0
Multiple units	36.0	39.5	22.2	48.7	65.3	-44.9
Residential building authorized valuation (millions) b/	$1,222	$1,359	$1,353	$1,416	$1,830	-33.2
Nonresidential building authorized valuation (millions) b/	$633	$912	$843	$822	$1,115	-43.2
Nonresidential building authorized valuation (millions) c/	$735	$983	$848	$856	$1,294	-43.2
Commercial	$213	$429	$311	$338	$623	-65.8
Industrial	59	103	51	57	163	-63.8
Other	142	113	116	91	143	-0.7
Alterations and additions	321	337	370	370	365	-12.1

VACANCY RATES FOR MARCH 1991
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				7.6
Fresno	17.1	34.1	10.9	
Oakland-East Bay	17.6	16.1	18.0	
Sacramento	13.8	4.9	16.8	
San Francisco	14.0	12.3	16.4	
San Jose	11.9	17.4	10.1	
Southern California				9.1
Bakersfield	20.1	28.0	16.6	
Los Angeles	18.9	18.4	19.0	
Orange County	21.2	--	21.2	
San Diego	22.0	16.9	23.3	
Ventura County	26.1	--	26.1	
National Average	19.4	17.4	20.2	7.0

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding. Percent changes calculated from unrounded data.
* Reflects surge in San Diego County March permits due to water conservation regulations effective in April.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1989		1990				1991	
Jul	$201,653	Jan	$194,950	Jul	$194,100	Jan	$190,960
Aug	199,385	Feb	197,180	Aug	193,290	Feb	194,890
Sep	198,743	Mar	196,800	Sep	190,520	Mar	202,170
Oct	193,734	Apr	196,110	Oct	188,220	Apr	205,360
Nov	193,581	May	195,280	Nov	192,280	May	207,840
Dec	188,477	Jun	194,820	Dec	191,310		

LEADING INDICATORS a/

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1990	Jan	3.9	40.5	4,742
	Feb	3.8	40.4	3,995
	Mar	3.8	40.5	3,920
	Apr	3.4	39.7	4,126
	May	3.9	40.6	4,139
	Jun	3.8	40.7	3,768
	Jul	3.8	40.8	3,786
	Aug	3.8	40.8	3,541
	Sep	3.8	40.8	3,294
	Oct	3.7	40.6	3,511
	Nov	3.8	40.5	3,112
	Dec	3.7	40.8	2,943
1991	Jan	3.7	40.5	4,009
	Feb	3.6	40.2	3,640
	Mar	3.6	40.3	3,391
	Apr	3.6	40.5	3,735
	May	3.7	40.7	3,493
	Jun	n.a.	n.a.	3,312

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1990	Jan	55,628	236.8
	Feb	56,733	225.5
	Mar	56,510	210.9
	Apr	57,020	184.6
	May	61,002	175.8
	Jun	61,235	177.1
	Jul	61,829	160.0
	Aug	64,617	151.2
	Sep	67,339	145.2
	Oct	68,422	111.4
	Nov	68,987	104.6
	Dec	69,585	100.8
1991	Jan	71,815	98.9
	Feb	74,149	97.4
	Mar	88,319	130.9 *
	Apr	76,209	109.5
	May	76,525	119.4
	Jun	74,685	111.0

* Reflects surge in March permits in San Diego County due to water conservation regulations effective in April.

a/ Seasonally adjusted n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1990	Jan	12,776	2,147	5.1	332
	Feb	12,808	2,148	4.9	342
	Mar	12,845	2,148	5.2	346
	Apr	12,820	2,146	5.3	350
	May	12,907	2,149	5.4	370
	Jun	12,926	2,148	5.1	362
	Jul	12,884	2,131	5.3	391
	Aug	12,954	2,131	5.5	368
	Sep	12,901	2,122	5.9	401
	Oct	12,852	2,117	6.1	430
	Nov	12,861	2,104	6.5	445
	Dec	12,878	2,102	6.8	452
1991	Jan	12,925	2,111	7.0	498
	Feb	12,898	2,097	7.4	521
	Mar	12,856	2,078	7.7	532
	Apr	12,879	2,071	7.4	571
	May	12,855	2,057	7.7	559
	Jun	12,843	2,046	8.2	553

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1989	Qtr I	563,515	85,726	65,423
	Qtr II	574,249	86,141	67,513
	Qtr III	587,873	87,422	69,324
	Qtr IV	591,121	89,650	69,573
1990	Qtr I	611,069	90,199	70,547
	Qtr II	617,298	90,113	70,539
	Qtr III	627,526	90,308	70,266
	Qtr IV	637,175	90,830	70,494
1991	Qtr I	638,859	90,306	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: b/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125
	Qtr IV	3,571	
1990	Qtr I	5,622	
	Qtr II	7,966	
	Qtr III	5,777	22,312
	Qtr IV	3,156	
1991	Qtr I	6,888	

		Electricity Production (Million KWH)
1989	Jul	11,112
	Aug	10,899
	Sep	11,068
	Oct	10,705
	Nov	10,831
	Dec	10,722
1990	Jan	10,355
	Feb	8,809
	Mar	9,125
	Apr	9,286
	May	9,504
	Jun	9,569
	Jul	9,724
	Aug	9,872
	Sep	10,228
	Oct	10,284
	Nov	8,577
	Dec	8,958
1991	Jan	8,862
	Feb	7,725
	Mar	7,997
	Apr	7,830

a/ Seasonally adjusted b/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

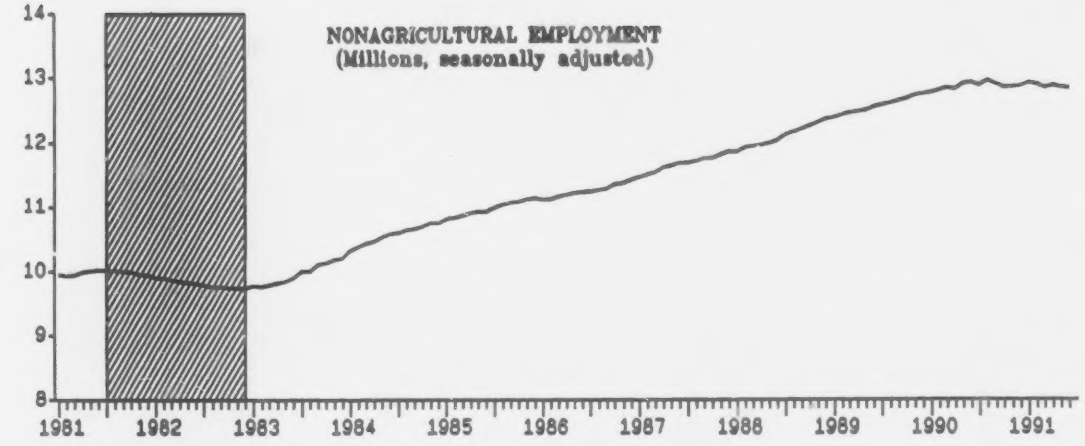
Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

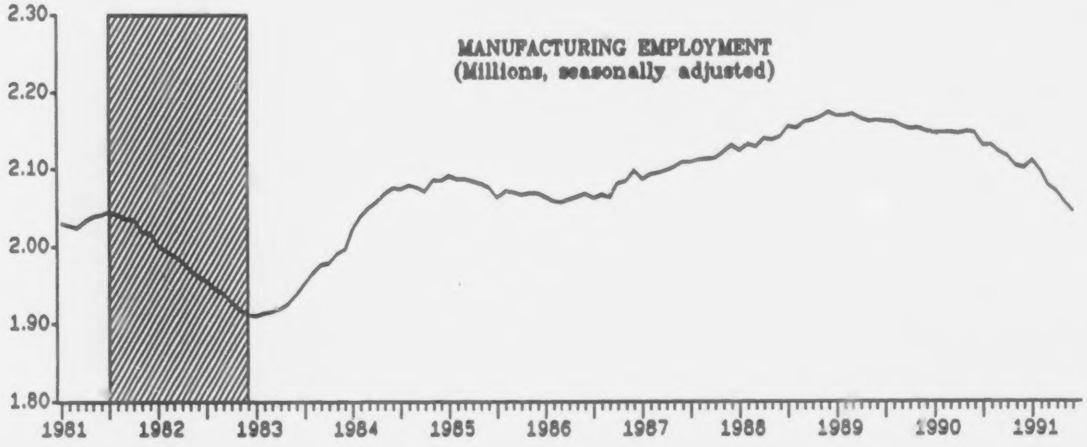
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

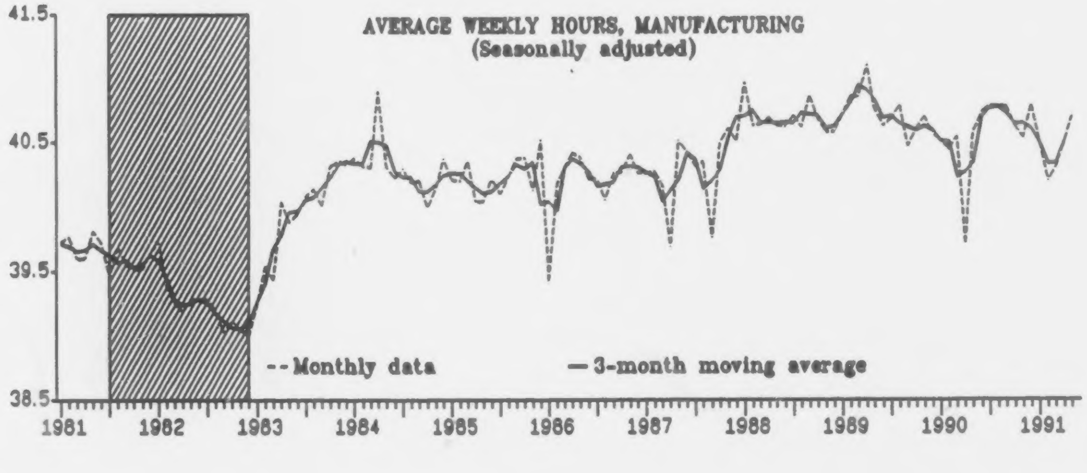
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



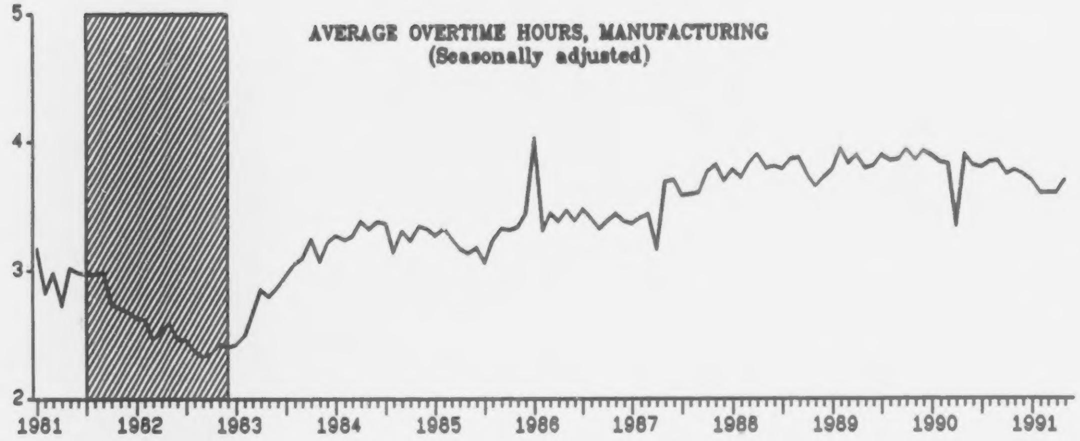
NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)



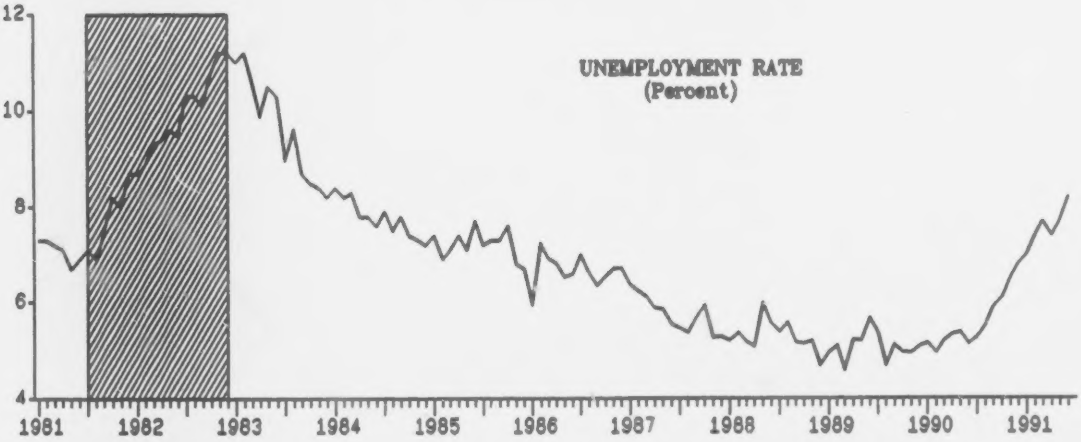
MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)



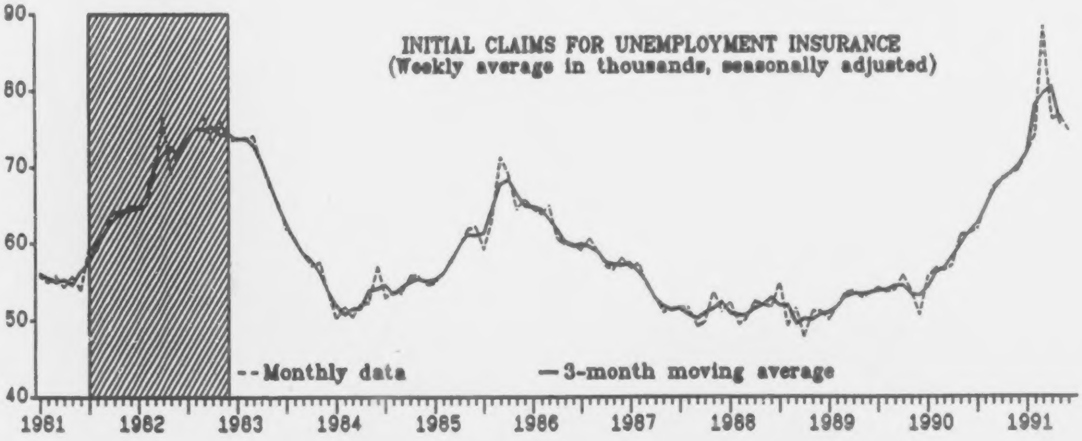
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)



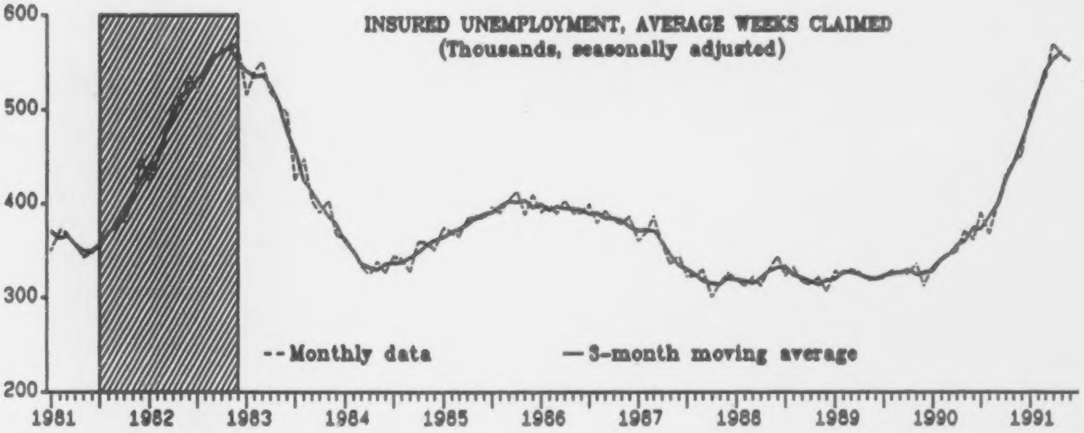
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

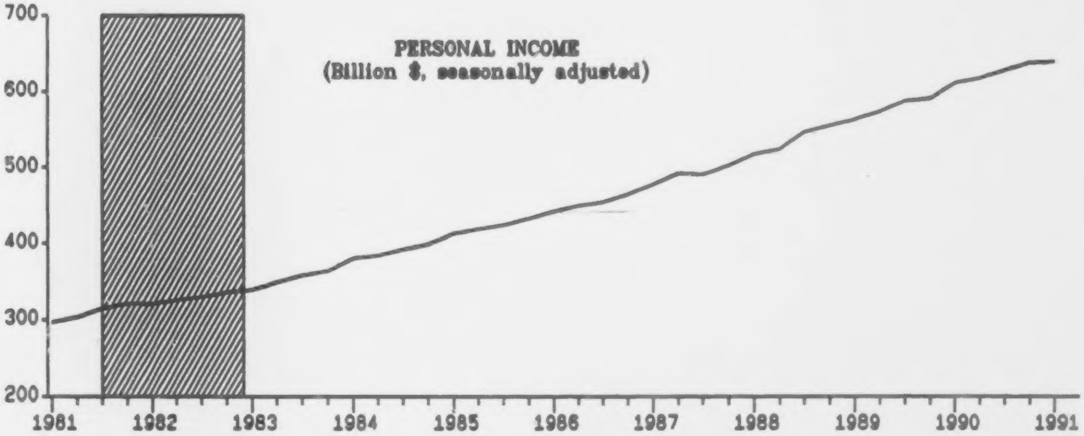


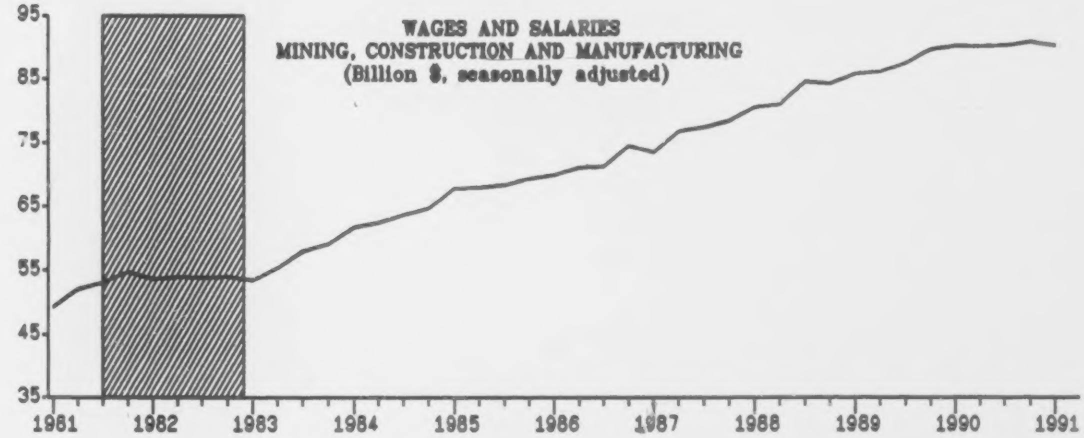
UNEMPLOYMENT RATE
(Percent)

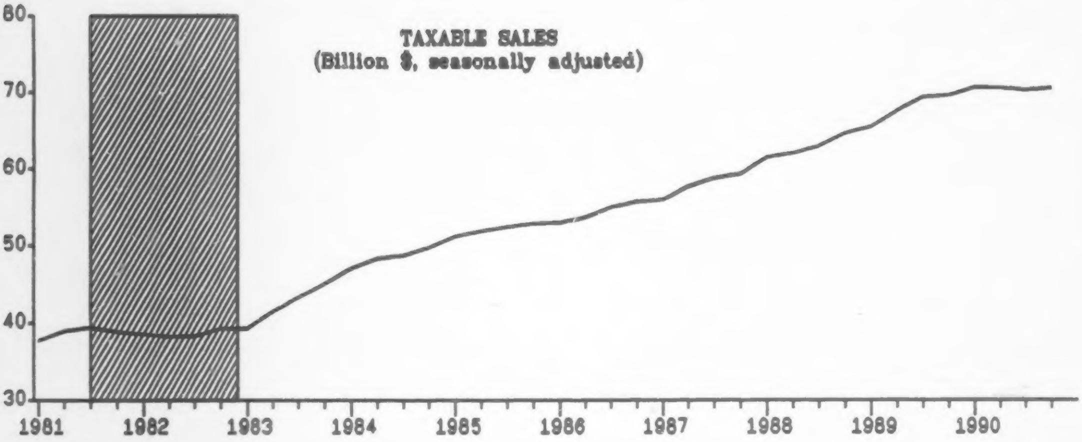


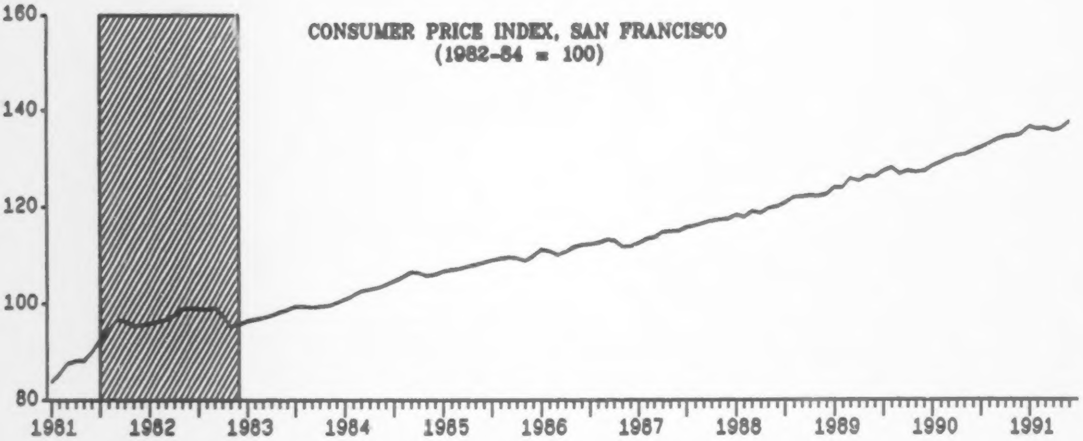
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

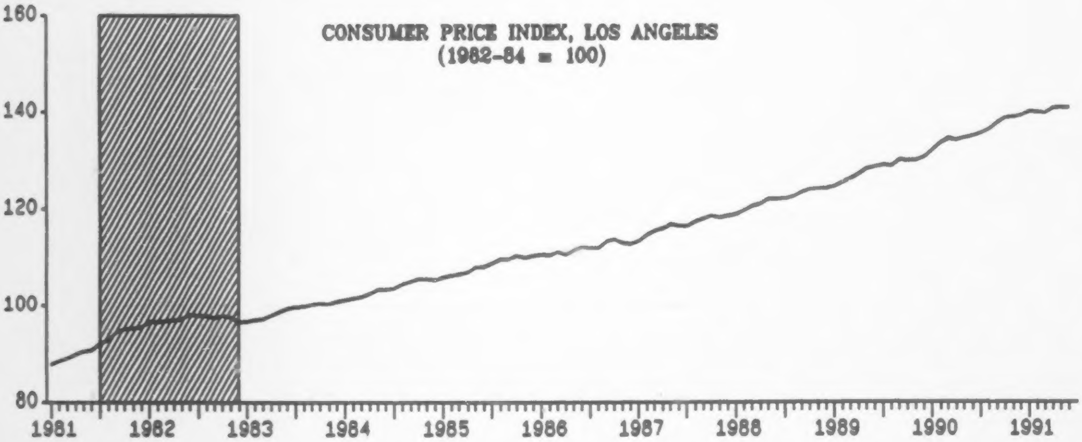

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

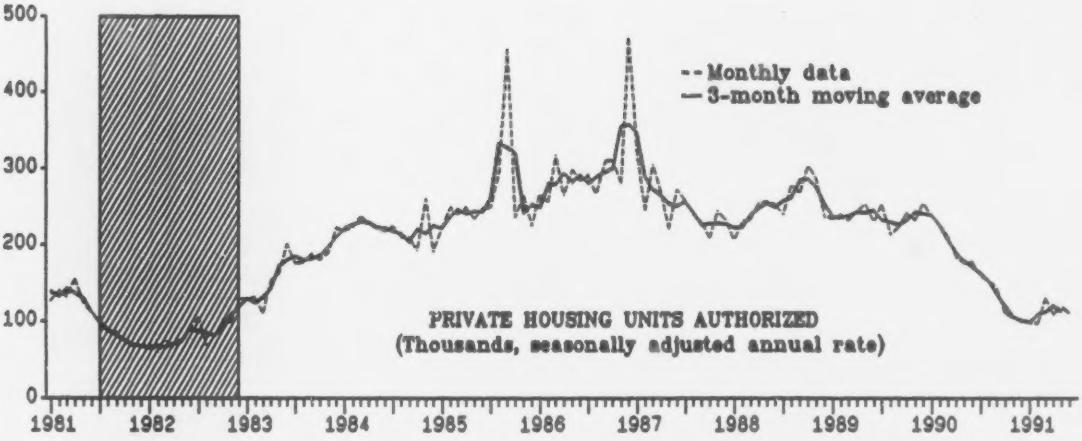

PERSONAL INCOME
(Billion $, seasonally adjusted)
700
600
500
400
300
200
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

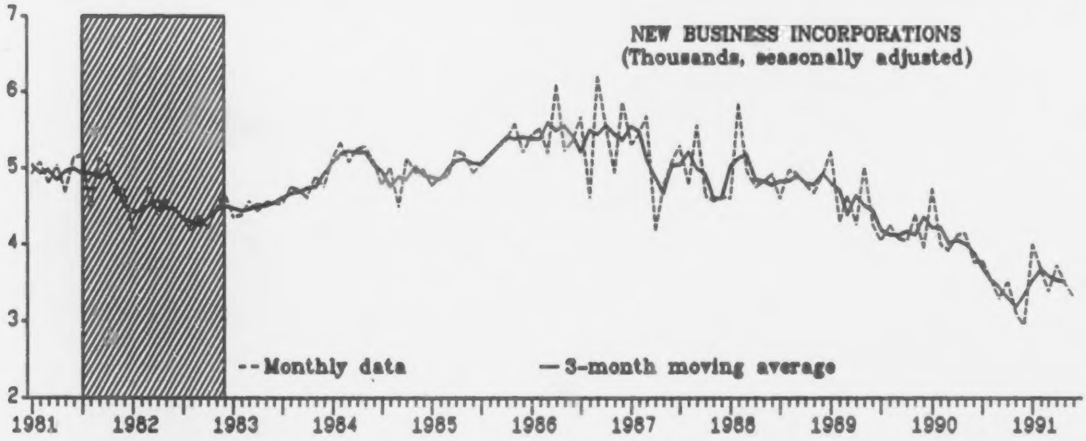

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

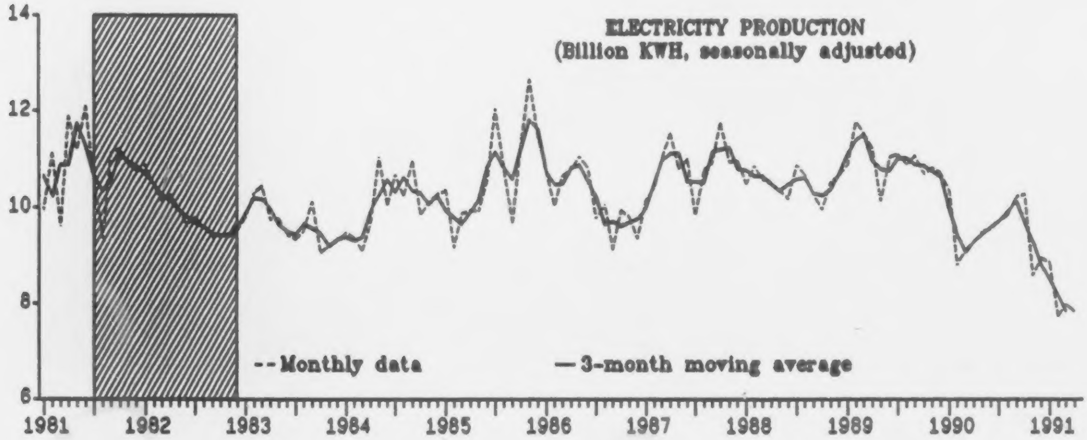

TAXABLE SALES
(Billion $, seasonally adjusted)
80
70
60
50
40
30
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
160
140
120
100
80
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


--Monthly data
—3-month moving average
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
7
6
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
--Monthly data
—3-month moving average
14
12
10
8
6
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

	1980--continued
April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21- Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

	1981--Continued
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

	1981--Continued
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

CHRONOLOGY--Continued

1982--Continued

	highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

	1987--Continued
January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

	1987--Continued
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 1	California fuel tax increase of 5 cents per gallon.
August 2	Iraq invades Kuwait.

1990--Continued

September 9	California population reaches 30 million according to California Department of Finance.
November 30	Index of leading indicators declines for fourth month in a row.
December 1	Federal gasoline tax increase of 5 cents per gallon.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 1	California fuel tax increase of one cent per gallon.
January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent.
	Prime rate reduced from 9-1/2 percent to 9 percent.
February 26	Iraqi troops withdraw from Kuwait.
February 27	President Bush orders a cease fire in the war against Iraq.
April 1	Federal minimum wage raised from $3.80 to $4.25.

CHRONOLOGY--Continued

1991--Continued

April 23	Lockheed-Georgia awarded F-22 Air Force contract.
April 30	Discount rate cut from 6 percent to 5-1/2 percent.
May 1	Prime rate reduced from 9 percent to 8-1/2 percent.
July	The Index of Leading Indicators rose in June for the fifth consecutive month and second quarter Real GNP increased 0.4 percent indicating that the recession may be at an end.
July 15	Chemical Banking and Manufacturers Hanover agree to merge - the largest bank merger in the nation's history.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1990

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	-----		92	--	--

SOURCES OF STATISTICAL SERIES

State of California:	
Board of Equalization	Taxable sales
Employment Development Department Labor Market Information Division	Civilian employment Unemployment Unemployment rate Hours and earnings
Unemployment Insurance Divsion	Unemployment insurance, initial claims and average weeks claimed
Department of Finance	Personal income Wages and salaries Nonagricultural employment
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Motor Vehicles	New auto registrations
Secretary of State	New business incorporations
California Association of Realtors	Existing family home data
Coldwell Banker	Nonresidential vacancy rates
Conservation Committee of California Oil Producers	Petroleum production
Construction Industry Research Board	Construction data
Economic Sciences Corporation	Construction data
U.S. Department of Commerce Bureau of the Census	Retail sales
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
U.S. Department of the Interior Bureau of Mines	Cement production
U.S. Department of Labor Bureau of Labor Statistics	Consumer price indices

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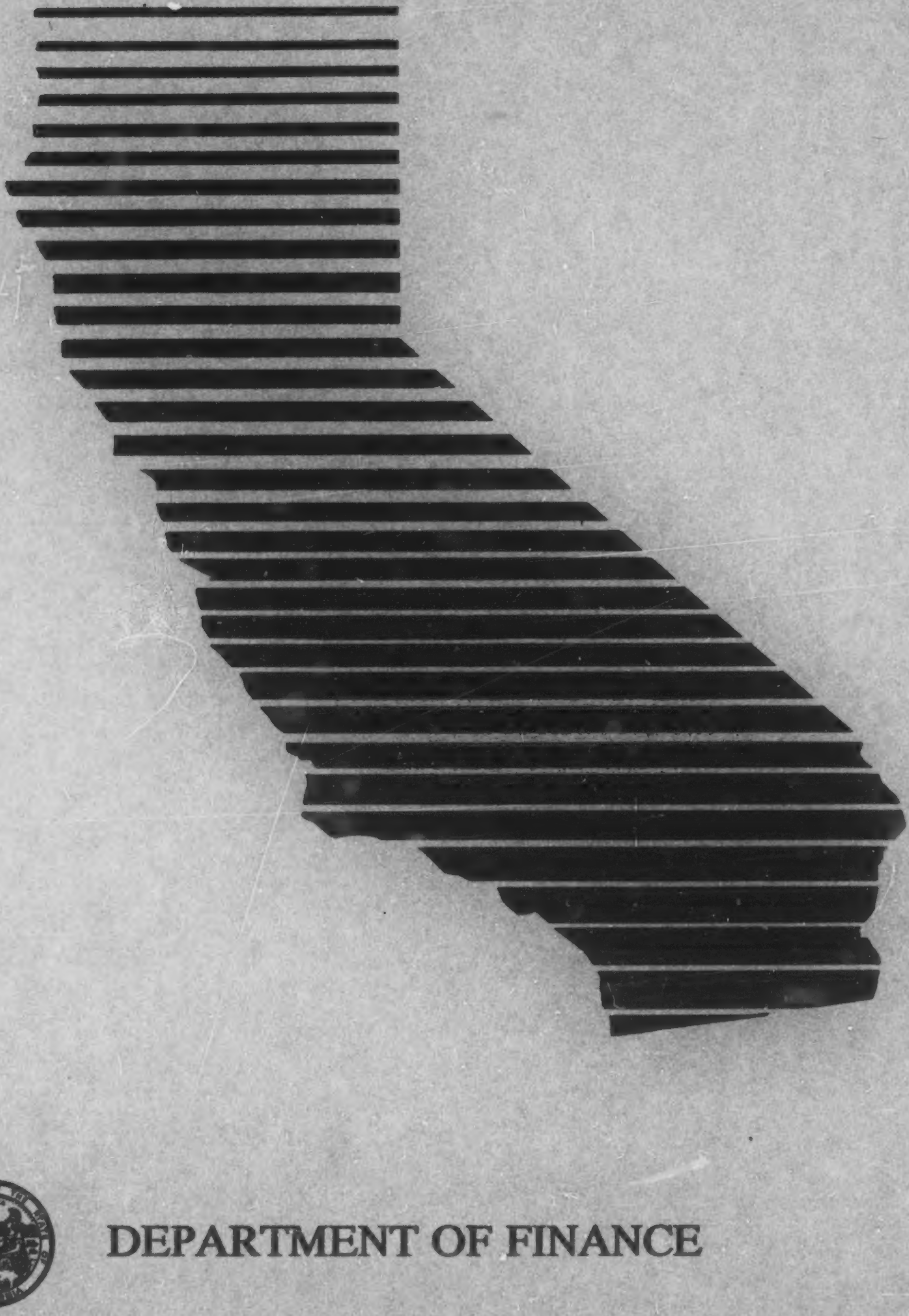
CALIFORNIA ECONOMIC INDICATORS
September/October 1991



DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1981 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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REVIEW OF RECENT ECONOMIC DEVELOPMENTS

Evidence of the widely acclaimed economic recovery has yet to reach California. While it appears that the state's economy is no longer deteriorating, there are still few if any signs of a sustained rebound in activity. Moreover, payroll records for the first quarter describe a far sharper and deeper recession than previously recognized.

Based on these actual payroll data, first quarter employment estimates have been cut by 373,000 jobs, and personal income slashed by $15 billion at an annual rate. The revised data indicate employment to be running more than 3 percent below year earlier levels. Second quarter personal income is estimated to have risen only 2 percent from the 1990 figure, implying a decline of about 2-½ percent after adjusting for inflation.

It must be emphasized that these revised employment and income data are not comparable to national figures or to data for other states, and conclusions cannot be drawn regarding California's relative economic performance. The income and employment revisions are discussed in more detail below.

Following the massive first quarter drop, wage and salary employment has traced a see-saw pattern--up one month and down the next. For the moment, June marks the year's low, at 12,454,000 jobs. But the September figure was scarcely 20,000 above the June level. The state's unemployment rate, based on a survey of households, has shown a similar up and down pattern, with September's 7.7 percent figure up 0.4 percent from the August level. Again June was the high point for the jobless rate thus far, with 8.1 percent of the labor force seeking work.

U.S. Commerce Department data on retail sales indicate a fairly consistent pattern of 1-½ to 2 percent year-to-year declines through July. On a seasonally adjusted basis, there does appear to have been a rebound in the second quarter, from very depressed early year levels. The State's sales tax experience, however, suggests a much weaker pattern, with year-to-year declines in the 4 to 6 percent range. The sales tax data exclude most groceries and prescription medicines, but include certain business sales, notably construction materials not covered in the Commerce Department figures.

The profound weakness in construction activity may explain some of the discrepancy between the Commerce and State sales tax figures. Housing permits fell to a 103,000 unit annual rate in August, almost equalling the February low of 97,000 units. The resale market confirms this weakening in residential real estate. In August, resale volume fell for the third consecutive month, to an annual rate of just over 400,000 units, according to the California Association of *Realtors*. The most recent figure compares to the spring rebound peak of 525,000 in May, and the year's low of 357,000 units in January.

Nonresidential building permit activity hit a low of $8.3 billion at an annual rate in June, but has shown little recovery since then. For the first eight months of the year, dollar volume is off 25 percent from 1990, according to the Construction Industry Research Board. The permit data show year-over-year declines ranging from 23 percent for hotels and motels, to 27 percent for stores, 35 percent for commercial offices and 46 percent for industrial buildings. Among the nonresidential categories, only government and public school buildings are showing gains from 1990. Alterations and additions are down only 4.3 percent from last year, and so far in 1991 these remodeling expenditures are accounting for 41 percent of all nonresidential permit activity, nearly double the share in more normal years.

EMPLOYMENT AND INCOME REVISIONS

Interim Employment Data. The Department of Finance routinely prepares an alternate measure of non-farm wage and salary employment, based on the most recent available payroll records--a quarterly report known as the ES-202 . The official data for both the U.S. and California, prepared by the U.S. Bureau of Labor Statistics and the California Employment Development Department, are based on a sample survey of establishments, and are "benchmarked" or verified by the actual payroll report once each year. The official series is benchmarked to ES-202 employment for March, and the revisions are incorporated with a year's lag for California and 14 months for the nation.

Thus, the current official data for both the state and nation reflect actual payroll results through March, 1990 with subsequent months estimated from the establishment survey. The Department of Finance's interim series is currently based on actual payroll data through March 1991, and uses monthly changes reported in the establishment survey to estimate movements after March 1991. The interim series technically exists only since the last official BLS/EDD benchmark--currently March 1990. This is because the official series takes into account all ES-202s prior to that time. Thus, a time series for the interim benchmark data would include the official series through March 1990, and the more current DOF benchmarks for months after March 1990.

The ES-202 covers more than 98 percent of all nonagricultural wage and salary workers. DOF uses the same adjustment factors used by EDD in the most recent official benchmark (March 1990) to estimate unreported workers. This adjustment includes most railroad industry workers (about 16,000), and a little over 50,000 workers in other private industries, mainly in services. Both the interim and official series exclude private household workers, but add the landscaping and animal care industries from agricultural services. Government employment is the same in both the interim and official series.

Why does DOF prepare the interim series? The simple answer is that at crucial times, the establishment survey can provide misleading results. DOF needs to understand movements in State tax revenues, and over the years the Department has found that the survey based employment--and by extension, personal income--data can over- or understate actual developments in the economy.

The establishment survey requires a relatively stable universe of employers, and therefore tends to be biased toward larger, well established firms. For this reason, the survey tends to understate employment gains during periods of economic expansion and understates losses during recessions. Smaller firms are far more sensitive to the business cycle--they are usually the first to hire and the first to fire. Small businesses do not have the luxury of retaining underemployed workers during slack times, and often must scramble to add workers when demand picks up. At the extreme, small firms are more vulnerable to failure during hard times, and there are naturally more new businesses started up when times are good. New firms simply cannot be included in the monthly survey--they are not known to the surveyors.

As noted, the current interim series is based on the first quarter 1991 ES-202 payroll report, which will provide the basis for the official benchmark revisions next March and May. The new ES-202 showed sharp declines in both employment and wages from fourth quarter levels, even after taking account of normal seasonal variations. Thus, the interim employment series, which had been closely tracking the official series over the last nine months of 1990, dropped to a level 373,000 below the official data for the month of March. For subsequent months (April through September) the interim series uses changes reported in the survey, and thus moves in parallel with the official series, albeit at a much lower level.

As the accompanying table shows, all private industry groups were affected by the first quarter 1991 revision, with the largest declines in construction, mining and wholesale trade. The first quarter payroll does include a number of industry reclassifications, which affect individual industries, but not the total.

The large "step function" between December and January in the interim series--seasonally adjusted

CALIFORNIA NON-FARM WAGE AND SALARY EMPLOYMENT

Comparison of March 1991 Employment
Official 1990 and Interim 1991 Benchmarks

	Thousands of Jobs		Difference Interim - Official	
	Interim	Official	Number	Percent
Total Non-Farm Employment	12460.0	12832.8	-372.8	-2.9
Mining	37.7	40.8	-3.1	-7.6
Construction	525.7	586.4	-60.7	-10.4
Manufacturing	2018.3	2063.3	-45.0	-2.2
Transportation-Utilities	613.3	627.0	-13.7	-2.2
Trade	2881.5	3000.7	-119.2	-4.0
Wholesale	737.1	787.0	-49.9	-6.3
Retail	2144.4	2213.7	-69.3	-3.1
Finance/Ins./Real Est.	817.4	833.9	-16.5	-2.0
Services	3436.8	3551.4	-114.6	-3.2
Government	2129.3	2129.3	0.0	0.0

employment fell more than 340,000--is troubling. It is quite likely that the Gulf War had a far more dramatic impact on the economy than has been recognized to date.

In addition, part of this drop may be explained by technical factors relating to wage and bonus payment patterns, some of them tax driven. Unusually heavy small business and professional service corporation bonus activity may have artificially boosted ES-202 employment figures during the closing months of 1990. Since passage of the 1986 Federal tax reforms, it has been advantageous for principals in small, closely held companies to take profits in the form of wages or "bonuses", usually at year-end tax planning time. Further changes in Federal income tax laws passed in October 1990 provided additional incentives to recognize income last year, ahead of increased Federal tax rates and diminished tax deductions in 1991. It is known that many of these principals count themselves as "employed" only during the month or quarter in which they take their bonuses.

Also, some firms may report separated workers as "employed" while they are exhausting their vacation and severance benefits, or receiving deferred compensation or bonuses for past service. Most companies prefer to pay these benefits before the end of the year, possibly boosting fourth quarter employment data.

Finally, BLS and EDD have been aware of some over counting of temporary employment agency workers in the business services industry--some agencies were generating an employment count for each job assignment, rather than each worker. Efforts to eliminate this over counting reduced employment by roughly 30,000 beginning in January, but this accounts for less than 10 percent of the December to January step.

In any case, next spring's official revision will smooth this step function, but the revised March 1991 employment level should closely approximate the interim employment figure now reported for March 1991.

As troublesome as the step function may be, there are a number of reasons to accept the interim employment data as an accurate reflection of California's economy this year:

- **The employment data are consistent with wages in the payroll report.** Average wages (wages divided by employment) were up 3.6 percent over the first quarter 1990 level, compared to a 4.7 percent gain for all of last year. If anything, the weaker average wage growth suggests that employment may still be slightly overstated.

- **Wages are consistent with the State's personal income tax withholding experience.** The State in fact experienced a sharp drop in withholding during the first

CALIFORNIA PERSONAL INCOME - ANNUAL TOTALS
($ Millions)

						Percent Change - Previous Year				
	1986	1987	1988	1989	1990	1986	1987	1988	1989	1990
TOTAL PERSONAL INCOME	453110	490104	532164	576489	619381	7.2	8.2	8.6	8.3	7.4
Total Wages and Salaries	269725	294794	319662	342322	366428	7.7	9.3	8.4	7.1	7.0
Other Labor Income	25961	27897	30411	32762	35048	7.5	7.5	9.0	7.7	7.0
Proprietors' Income	41026	46770	51231	55016	58298	11.5	14.0	9.5	7.4	6.0
Farm	4723	5103	5327	5934	5759	17.7	8.0	4.4	11.4	-3.0
Nonfarm	36302	41667	45905	49082	52539	10.8	14.8	10.2	6.9	7.0
Property Income	74870	77564	85605	97611	105031	4.3	3.6	10.4	14.0	7.6
Interest	61096	62678	68913	81567	87146	3.4	2.6	9.9	18.4	6.8
Dividends	10410	11185	12566	14197	15526	10.3	7.4	12.4	13.0	9.4
Rent	3364	3701	4126	1847	2360	3.8	10.0	11.5	-55.2	27.8
Transfer Payments	61589	64974	70132	76301	84272	6.8	5.5	7.9	8.8	10.4
Less: Contributions for Social Insurance	20295	22084	25086	27804	30023	9.5	8.8	13.6	10.8	8.0
Residence Adjustment	233	190	209	280	326	-12.7	-18.5	9.9	34.2	16.3

quarter (which has continued throughout the year). The higher, unrevised wage and employment data were not consistent with tax collections.

- **The interim data more closely agree with the household survey for civilian employment.** Before the revision, the household series had been much weaker than the establishment data.

As noted previously, the interim data are not comparable to national figures or data for other states, which have yet to be revised to the first quarter (March) 1991 payroll. Reports from several other large states suggest a similar pattern of weakness in the first quarter payroll, even including the troubling step functions. Federal income tax withholding is also falling short of the amounts expected from survey based wage estimates in the national income accounts. Experience in California and other large states suggests that the national wage and employment data are being overestimated, and that once actual 1991 payroll data are incorporated, both employment and income for the U.S. are likely to be revised down.

Personal Income. Personal income revisions reflect both the wage data from the first quarter payroll and the annual revision of state personal income from the U.S. Department of Commerce. The Commerce revision was relatively small, reducing income by $2-½ to $3 billion annually in 1988, 1989 and 1990. The largest revisions were to interest income and nonfarm proprietors' income, both of which were revised down, and transfer payments, which were revised up.

The first quarter 1991 revision, incorporating the new payroll, was considerably larger, down more than $15 billion from the initial estimate. Wages were slashed $10.5 billion at an annual rate, based on the actual payroll results. Compared to the fourth quarter, the revised data show total income down by $6 billion, rather than the $4 billion rise previously estimated.

The second quarter estimate, based on employment data and State withholding experience, shows a small gain in total income of $2.5 billion. Wages are virtually unchanged from the first quarter, proprietors' income is up slightly and property income is down. Virtually all the second quarter growth is in transfer payments, mainly Social Security, public welfare and unemployment compensation.

CALIFORNIA PERSONAL INCOME - QUARTERLY PATTERN

($ Millions, Seasonally Adjusted at Annual Rates)

	1990				1991		% Chg
	I	II	III	IV	I	II	90:II-91:II
TOTAL PERSONAL INCOME	609028	614441	623028	631026	624797	627300	2.1
Total Wages and Salaries	361366	363443	367277	373626	366340	366924	1.0
Other Labor Income	34675	34831	35139	35548	34859	34815	-0.0
Proprietors' Income	57678	58603	59205	57704	57770	58733	0.2
Farm	6161	6281	6420	4173	5329	5700	-9.2
Nonfarm	51517	52322	52785	53531	52441	53033	1.4
Property Income	102526	103633	106466	107499	105641	104572	0.9
Interest	85568	86729	87869	88417	87778	86913	0.2
Dividends	15018	15387	15708	15989	16015	15888	3.3
Rent	1940	1517	2889	3093	1848	1771	16.7
Transfer Payments	82235	83451	84585	86818	90899	92904	11.3
Less: Contributions for Social Insurance	29771	29845	29972	30502	31062	31003	3.9
Residence Adjustment	320	325	328	331	350	355	9.2

INTERNATIONAL TRADE THROUGH CALIFORNIA PORTS DURING 1990

Goods valued at nearly $166 billion passed through California ports during 1990, a gain of 6 percent over 1989 flows. Exports totaled $68.55 billion, up 8.7 percent from the previous year, while imports of $97.12 billion increased only 3.2 percent. Last year, the state's foreign trade deficit narrowed to $28.57 billion, from $31.03 billion in 1989.

The figures reported here from the U.S. Department of Commerce reflect all goods in international trade entering and leaving California by all types of transportation--mostly by ship, but also overland to and from Mexico and by air to and from all parts of the world. These data do not reflect the ultimate origin of goods in the case of exports, or final destination within the U.S. in the case of imports. There is an alternate series of data which reflect state of origin for exports only, but these are not comparable to import data presented here.

Given California's location on the Pacific Rim, it is not surprising that more than two-thirds of exports and 80 percent of imports through the state's ports are with countries in Asia and Oceania (including Australia). Western Europe accounts for over 20 percent of California exports and 11 percent of imports via state ports. The nations of North and Central America account for about 6 percent of the state's imports and exports.

About 18 percent of the nation's total foreign trade passes through California, but the state accounts for over 40 percent of U.S. trade with Asia and Oceania.

Japan remains by far California's leading trading partner, accounting for $53 billion or nearly one-third of all international trade through California. Automobiles and parts, high technology equipment and components and foods are the principle goods in trade with Japan. Apart from autos, similar patterns of trade are also evident with Taiwan, South Korea, Singapore, Hong Kong, Malaysia, Thailand and the Philippines. Two way trade in high technology goods and components reflects the international character of California's electronics industry. While many of these countries are competitors to California firms, in many cases they are also important suppliers as well.

California continues to run a surplus with Western Europe, in particular the United Kingdom and

CALIFORNIA TRADE BY MAJOR COUNTRY, 1990
(Value in $ million)

	California Exports			California Imports				
		% change			% change		Net	Total
	Amount	1989-90	% of US	Amount	1989-90	% of US	Position	Trade
Japan	$17,562	9.6	36.2	$35,909	-3.0	40.1	($18,346)	$53,471
Taiwan	5,294	6.6	46.1	9,463	-7.3	41.8	(4,169)	14,758
South Korea	6,288	9.7	43.7	8,391	-6.2	45.4	(2,103)	14,678
Singapore	3,915	9.5	48.8	5,570	13.8	56.6	(1,655)	9,485
Mexico	4,028	12.5	14.2	4,174	10.0	13.8	(147)	8,202
China	1,094	-2.4	22.8	5,606	29.5	36.8	(4,512)	6,701
West Germany	3,094	9.0	16.6	3,379	15.9	12.0	(285)	6,473
Hongkong	2,743	6.7	40.1	3,225	-5.0	34.0	(482)	5,967
Malaysia	2,025	9.2	59.1	3,019	12.3	57.3	(994)	5,044
Australia	3,855	-4.9	45.1	1,043	29.9	23.5	2,812	4,898
United Kingdom	3,005	3.3	12.8	1,679	10.8	8.3	1,326	4,684
Thailand	1,220	27.9	40.8	2,489	30.3	47.0	(1,269)	3,710
France	2,008	8.5	14.7	1,230	29.9	9.4	778	3,238
Italy	1,117	26.9	14.0	1,580	10.3	12.4	(464)	2,697
Philippines	1,211	2.0	49.0	1,280	14.3	37.9	(69)	2,491
Netherlands	1,614	18.3	12.4	403	1.4	8.1	1,212	2,017

France. Trade with Germany and Italy is in rough balance.

Among other major partners, trade with Mexico is about in balance, while the state continues to enjoy a large surplus with Australia. Port data show a deficit with Canada, but much of California's agricultural exports are shipped overland, entering Canada from Washington State or the upper midwest.

High technology goods dominate California trade in both imports and exports. Computers top the list of imports, valued at over $14 billion, with electronic components ranked third at more than $10 billion. Electronic components and computers are the top two export items, each at more than $8 billion. Exports of aircraft parts are third, valued at nearly $3 billion, while shipments of the airplanes themselves rank sixth at $1.8 billion.

Meats and cotton are major agricultural exports, together amounting to almost $4 billion. Many fresh fruits and vegetables bound for Europe and Canada are often shipped via ports outside the state.

BILLION DOLLAR IMPORTS, 1990
(Value in $ million)

	Value	Calif % of US	% change 1989-90
Computers	$14,207	60.2	9.3
Motor vehicles	11,071	20.1	5.0
Electronic components	10,119	52.5	-1.4
HH Audio/Video equipment	6,581	52.8	-5.9
Apparel	5,344	23.6	7.6
Communications equipment	3,297	38.4	-5.9
Footware	2,589	27.3	8.8
Toys and games	2,006	32.3	8.1
Motor vehicle parts	1,954	9.9	-12.8
Rubber/plastic prods x footw	1,761	21.7	-4.3
Photographic equip., supplies	1,713	30.6	0.8
Fish and seafood	1,532	29.1	15.7
Iron/steel sheets, bars, plates	1,400	16.9	0.1
Previously exported	1,357	12.6	15.8
Furniture and fixtures	1,158	22.1	8.5
Medical instruments, supplie	1,136	24.5	18.1
Oth fabricated metal products	1,102	16.3	-1.6
Lighting and wiring equipme	1,080	22.5	19.8
Total, all commodities	97,121	19.6	3.2

BILLION DOLLAR EXPORTS, 1990
(Value in $ million)

	Value	Calif % of US	% change 1989-90
Electronic components	$8,410	41.5	10.4
Computers	8,245	31.9	0.8
Other aircraft parts and equip	2,961	29.5	4.2
Meats	2,174	44.8	-7.6
Motor vehicles	1,823	12.8	54.8
Aircraft	1,820	9.1	10.8
Cotton	1,782	63.7	26.6
Waste and scrap	1,628	32.0	-0.0
Refined petroleum products	1,492	22.6	16.0
Medical instruments, supplie	1,337	21.0	20.5
Oth measuring, control instr.	1,293	29.8	-39.4
Plastic materials	1,265	16.0	4.3
Communications equipment	1,235	22.8	19.0
General industrial machinery	1,162	15.8	15.4
Special industrial machinery	1,149	21.1	0.9
Total, all commodities	68,552	17.4	10.5

Motor vehicles are the second ranking import through the state. Other consumer goods, including household audio and video equipment, toys and games, apparel and footwear and photographic equipment and supplies are also high on California's import shopping list. Fish and seafood are the only food items among the major import list.

Growth in trade volume slowed during 1990, and has remained lackluster this year as well, reflecting recessions in the U.S. and several of its trading partners. Although the U.K. and Canada are showing some signs of recovery, Japan and Germany appear to be slowing down. Nor is it at all certain that the U.S. has embarked on a sustained upturn.

Mexico, which suffered severe economic setbacks during the 1980s, is a notable exception to this generally gloomy picture. Liberalization of trade and foreign investment policies are among several elements in Mexico's economic revival. Overall, however, the outlook remains one of slow growth in California trade for the remainder of 1991. A return to more normal trade growth will probably await the latter months of 1992.

EMPLOYMENT
(Seasonally Adjusted)

	1991				1990	Yr-Over-Yr
	Sep	Aug	Jul	Jun	Sep	% Change
Civilian employment (000)	13,853	13,796	13,609	13,545	13,764	0.6
Unemployment (000)	1,153	1,089	1,116	1,208	870	32.5
Unemployment rate	7.7	7.3	7.6	8.2	5.9	--
Nonagricultural wage and salary employment a/ (000)	12,476.0	12,499.6	12,502.1	12,454.4	12,896.6	-3.3
Mining	37.5	37.6	37.7	37.6	40.0	-6.3
Construction	536.6	544.6	546.7	544.8	642.7	-16.5
Manufacturing	1,989.0	1,991.4	1,996.3	1,999.0	2,121.9	-6.3
High technology b/	n.a.	636.6	641.4	645.4	688.4	--
Transportation and public utilities	614.4	619.6	616.3	614.6	632.2	-2.8
Trade	2,902.2	2,902.2	2,905.8	2,904.8	3,037.9	-4.5
Finance, insurance, and real estate	811.6	813.4	814.3	813.9	841.9	-3.6
Services	3,458.7	3,459.8	3,464.7	3,449.3	3,497.2	-1.1
Government	2,125.9	2,131.0	2,120.2	2,090.5	2,082.9	2.1
Federal	347.1	347.7	345.4	345.7	352.8	-1.6
State and local	1,778.9	1,783.3	1,774.8	1,744.8	1,730.1	2.8

HOURS AND EARNINGS IN MANUFACTURING

	1991				1990	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
Average weekly hours c/	40.8	40.0	40.8	40.4	40.8	0.0
Average weekly earnings c/	$487.15	$476.40	$483.89	$476.72	$469.20	3.8
Average hourly earnings c/	$11.94	$11.91	$11.86	$11.80	$11.50	3.8

PRODUCTION

	1991				1990	Yr-Over-Yr
	Jul	Jun	May	Apr	Jul	% Change
Petroleum (000 barrels daily) c/	n.a.	955	953	948	950	--
Portland cement (000 short tons) c/	828	801	813	821	867	-4.5

TRADE
(Seasonally Adjusted)

	1991				1990	Yr-Over-Yr
	Jul	Jun	May	Apr	Jul	% Change
Retail sales ($ millions)	18,739	18,484	18,483	18,761	19,006	-1.4
New auto registrations (number)	112,988	113,000	112,730	111,467	125,912	-10.3

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a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

c/ Not seasonally adjusted.

n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1991				1990	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
All Urban Consumers Series						
California Average	141.2	140.8	140.1	139.7	135.6	4.1
San Francisco CMSA	139.1	138.2	137.6	136.2	133.1	4.5
Los Angeles CMSA	141.7	141.5	140.8	140.8	136.3	4.0
Wage Earners and Clerical Workers Series						
California Average	137.1	136.8	136.1	135.8	132.0	3.9
San Francisco CMSA	137.2	136.4	136.0	134.8	132.0	3.9
Los Angeles CMSA	137.4	137.3	136.4	136.5	132.3	3.9

CONSTRUCTION

	1991				1990	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
Private residential housing units authorized (000) a/	102.8	113.0	111.4	119.4	151.2	-32.0
Single units	73.0	81.0	75.7	80.0	90.0	-18.9
Multiple units	29.8	32.0	35.8	39.4	61.2	-51.3
Residential building authorized valuation (millions) b/	$1,181	$1,345	$1,248	$1,359	$1,618	-27.0
Nonresidential building authorized valuation (millions) b/	$762	$723	$695	$919	$950	-19.8
Nonresidential building authorized valuation (millions) c/	$826	$785	$806	$990	$1,031	-19.9
Commercial	$246	$280	$284	$432	$393	-37.4
Industrial	108	41	68	99	114	-5.3
Other	119	114	134	115	144	-17.4
Alterations and additions	354	350	320	344	380	-6.8

VACANCY RATES FOR JUNE 1991
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California				8.7
Fresno	16.0	31.1	11.0	
Oakland-East Bay	17.0	14.4	17.8	
Sacramento	13.9	6.3	16.4	
San Francisco	15.1	13.8	16.8	
San Jose	12.0	16.6	10.6	
Southern California				9.0
Bakersfield	20.4	28.8	16.7	
Los Angeles	19.0	18.9	19.0	
Orange County	22.0	--	22.0	
San Diego	21.9	16.8	23.3	
Ventura County	23.5	--	23.5	
National Average	19.5	17.6	20.2	7.2

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a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding. Percent changes calculated from unrounded data.
* Reflects surge in San Diego County March permits due to water conservation regulations effective in April.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1990				1991			
Jan	$194,950	Jul	$193,100	Jan	$190,960	Jul	$206,670
Feb	197,180	Aug	193,290	Feb	194,890		
Mar	196,800	Sep	190,520	Mar	202,170		
Apr	196,110	Oct	188,220	Apr	205,360		
May	195,280	Nov	192,280	May	207,470		
Jun	194,410	Dec	191,310	Jun	203,620		

LEADING INDICATORS a/

		Manufacturing		
		Overtime Hours	Average Weekly Hours	New Business Incorporations
1990	Jan	3.9	40.5	4,742
	Feb	3.8	40.4	3,995
	Mar	3.8	40.5	3,920
	Apr	3.4	39.7	4,126
	May	3.9	40.6	4,139
	Jun	3.8	40.7	3,768
	Jul	3.8	40.8	3,786
	Aug	3.8	40.8	3,541
	Sep	3.8	40.8	3,294
	Oct	3.7	40.6	3,511
	Nov	3.8	40.5	3,112
	Dec	3.7	40.8	2,943
1991	Jan	3.7	40.5	4,009
	Feb	3.6	40.2	3,640
	Mar	3.6	40.3	3,391
	Apr	3.6	40.5	3,735
	May	3.7	40.6	3,493
	Jun	3.8	40.7	3,312
	Jul	3.8	40.4	3,677
	Aug	3.9	40.8	3,126
	Sep	n.a.	n.a.	3,623

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1990	Jan	55,628	236.8
	Feb	56,733	225.5
	Mar	56,510	210.9
	Apr	57,020	184.6
	May	61,002	175.8
	Jun	61,235	177.1
	Jul	61,829	160.0
	Aug	64,617	151.2
	Sep	67,339	145.2
	Oct	68,422	111.4
	Nov	68,987	104.6
	Dec	69,585	100.8
1991	Jan	71,815	99.0
	Feb	74,149	97.5
	Mar	88,319	131.0 *
	Apr	76,209	110.1
	May	76,525	119.4
	Jun	74,685	111.4
	Jul	76,221	113.0
	Aug	80,541	102.8

* Reflects surge in March permits in San Diego County due to water conservation regulations effective in April.

a/ Seasonally adjusted n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1990	Jan	12,776	2,147	5.1	332
	Feb	12,808	2,148	4.9	342
	Mar	12,845	2,148	5.2	346
	Apr	12,820	2,146	5.3	350
	May	12,907	2,149	5.4	370
	Jun	12,926	2,148	5.1	362
	Jul	12,880	2,131	5.3	391
	Aug	12,950	2,131	5.5	368
	Sep	12,897	2,122	5.9	401
	Oct	12,852	2,117	6.1	430
	Nov	12,861	2,104	6.5	445
	Dec	12,878	2,102	6.8	452
1991	Jan	12,535	2,061	7.0	498
	Feb	12,497	2,044	7.4	521
	Mar	12,480	2,033	7.7	532
	Apr	12,503	2,025	7.4	571
	May	12,484	2,013	7.7	559
	Jun	12,454	1,999	8.2	553
	Jul	12,502	1,996	7.6	535
	Aug	12,500	1,991	7.3	514
	Sep	12,476	1,989	7.7	n.a.

		Personal Income ($ millions)	Wages & Salaries from Mining, Construction and Manufacturing ($ millions)	Taxable Sales ($ millions)
1989	Qtr I	558,300	85,405	65,423
	Qtr II	571,984	86,217	67,513
	Qtr III	584,269	87,201	69,324
	Qtr IV	591,403	89,595	69,573
1990	Qtr I	609,028	89,738	70,547
	Qtr II	614,441	90,000	70,539
	Qtr III	623,028	89,680	70,266
	Qtr IV	631,026	89,915	70,494
1991	Qtr I	624,797	86,253	66,850
	Qtr II	627,300	86,066	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts ($ millions)	Total: b/
1986	Qtr I	6,990	
	Qtr II	5,847	
	Qtr III	6,395	
	Qtr IV	4,433	
1987	Qtr I	5,857	
	Qtr II	6,224	
	Qtr III	7,434	24,515
	Qtr IV	4,148	
1988	Qtr I	5,068	
	Qtr II	10,172	
	Qtr III	5,660	23,458
	Qtr IV	n.a.	
1989	Qtr I	n.a.	
	Qtr II	n.a.	
	Qtr III	7,190	23,125
	Qtr IV	3,571	
1990	Qtr I	5,622	
	Qtr II	7,966	
	Qtr III	5,777	22,312
	Qtr IV	3,156	
1991	Qtr I	6,888	

		Electricity Production (Million KWH)
1989	Jul	11,112
	Aug	10,899
	Sep	11,068
	Oct	10,705
	Nov	10,831
	Dec	10,722
1990	Jan	10,355
	Feb	8,809
	Mar	9,125
	Apr	9,286
	May	9,504
	Jun	9,569
	Jul	9,724
	Aug	9,872
	Sep	10,228
	Oct	10,284
	Nov	8,577
	Dec	8,958
1991	Jan	8,862
	Feb	7,725
	Mar	7,997
	Apr	7,830
	May	7,912
	Jun	8,386

a/ Seasonally adjusted b/ U.S. fiscal year: October through September.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

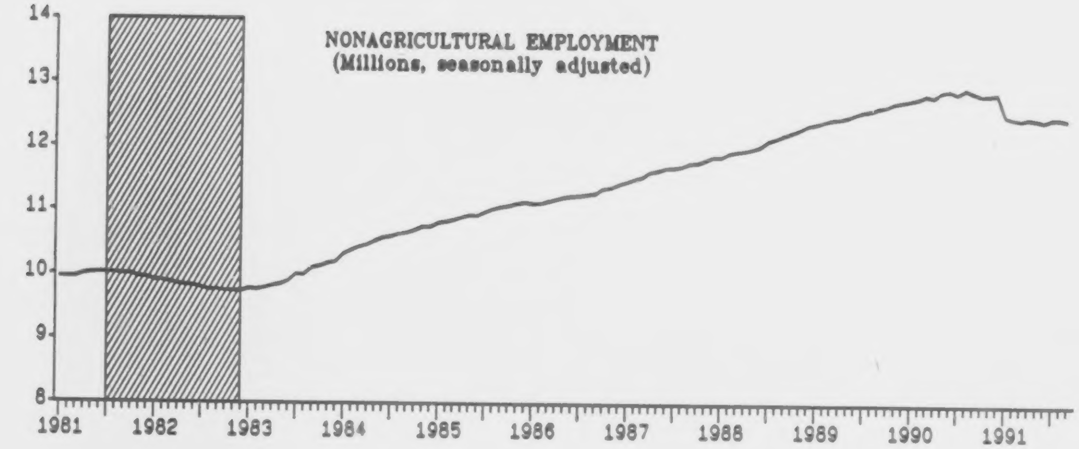
Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

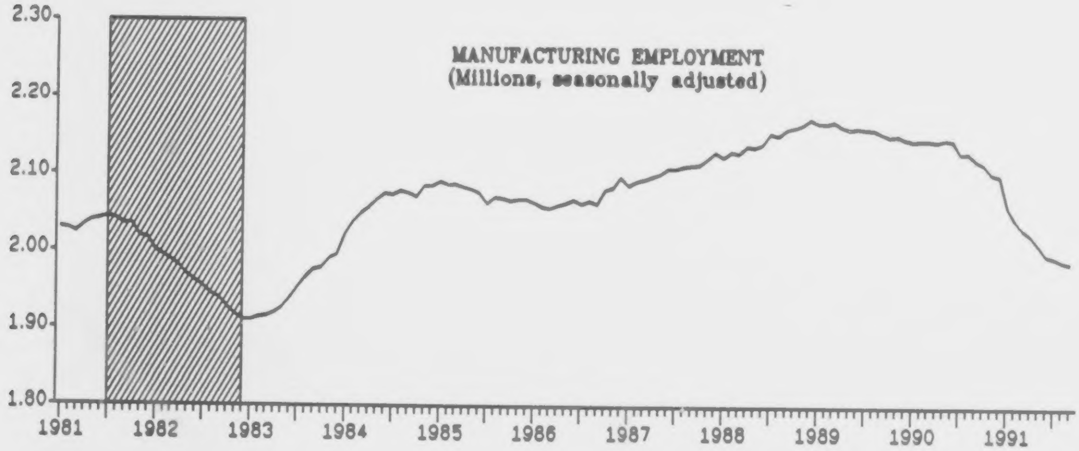
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

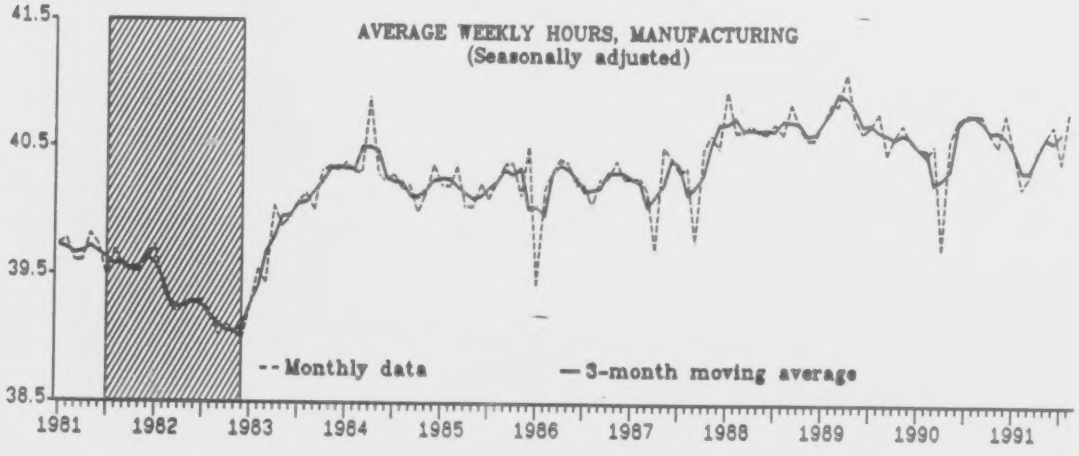
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



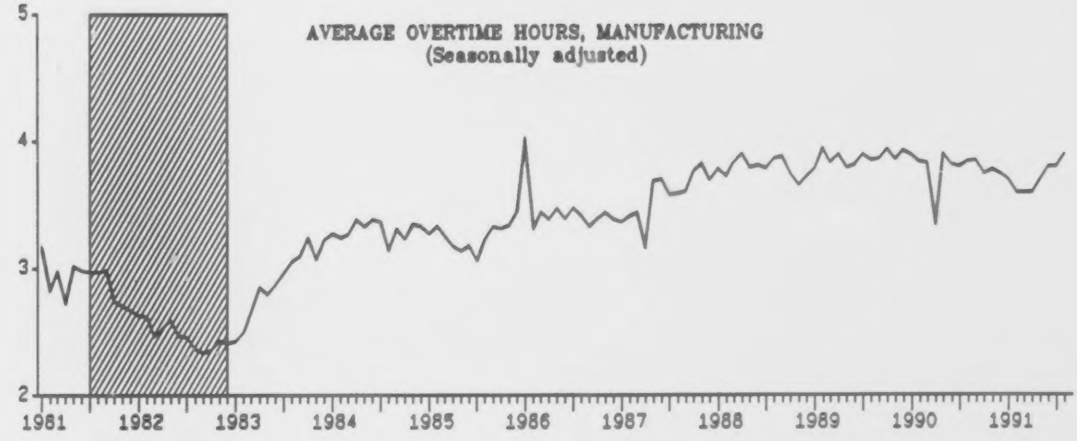
NONAGRICULTURAL EMPLOYMENT
(Millions, seasonally adjusted)

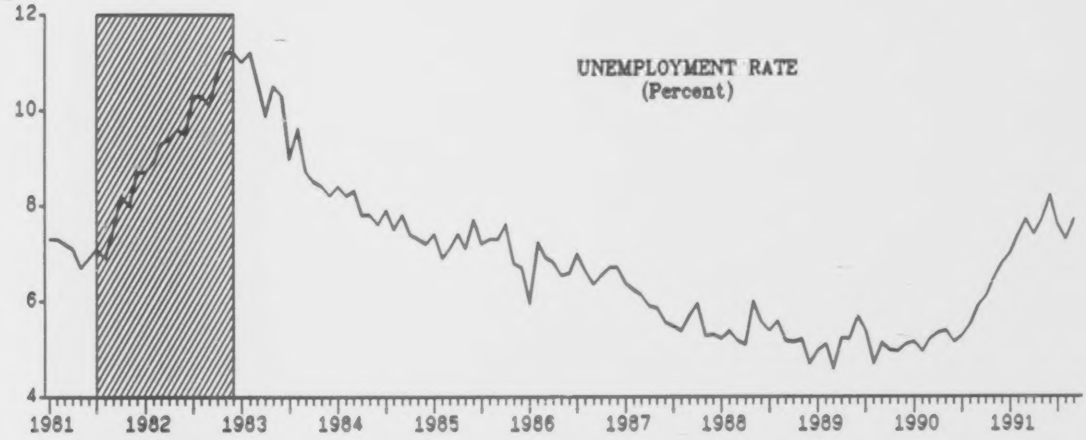


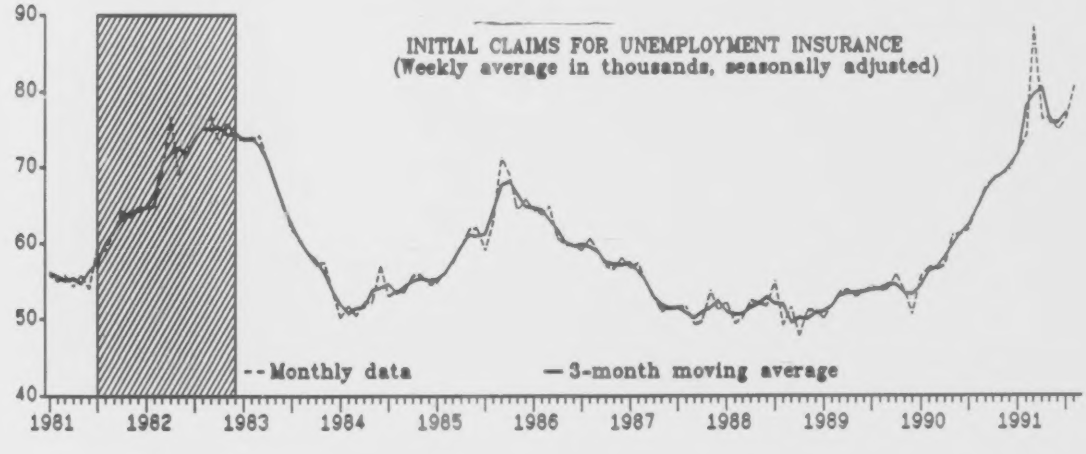
MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)

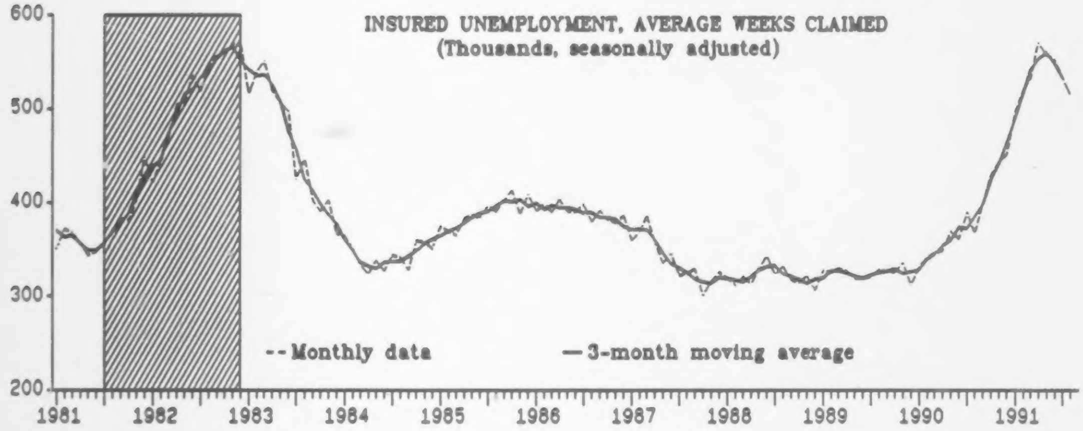


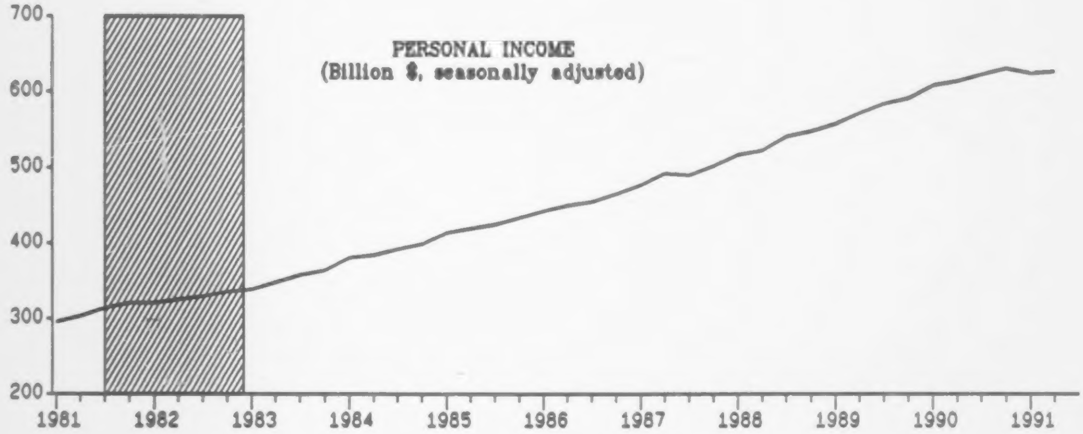
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)

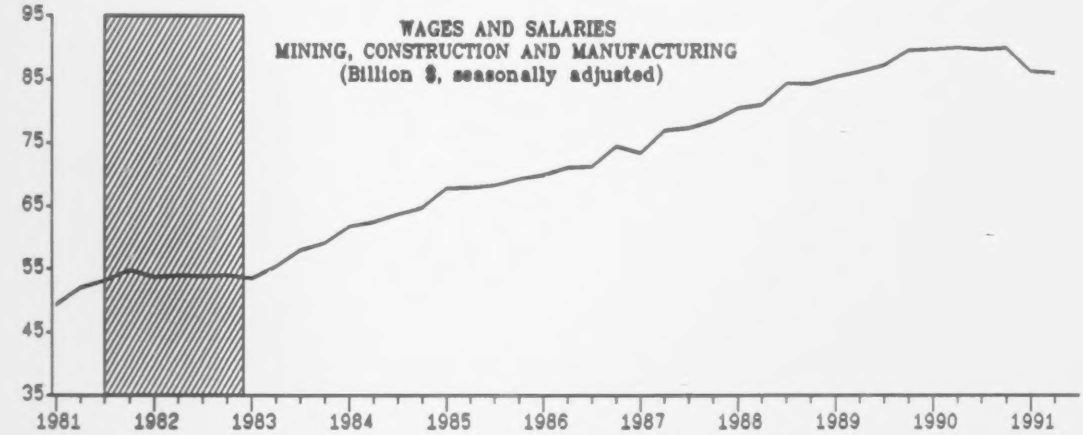

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

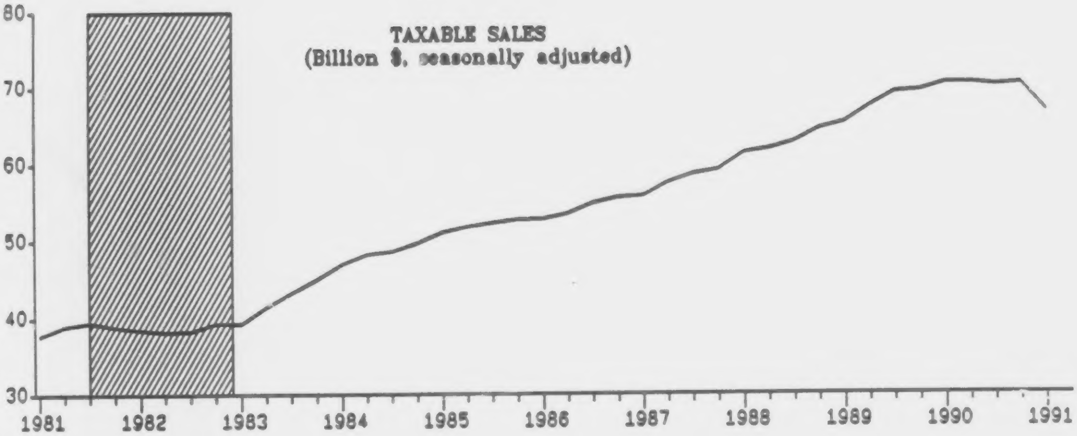

UNEMPLOYMENT RATE
(Percent)

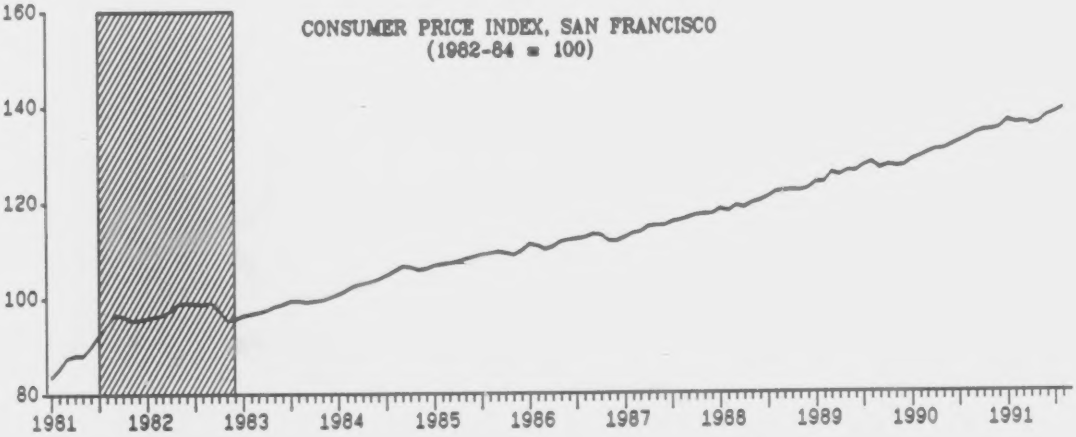

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)

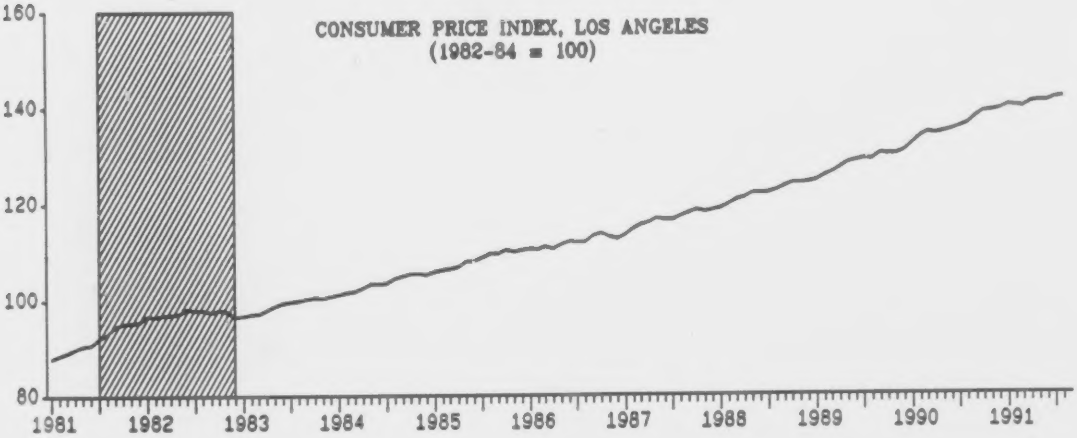

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)

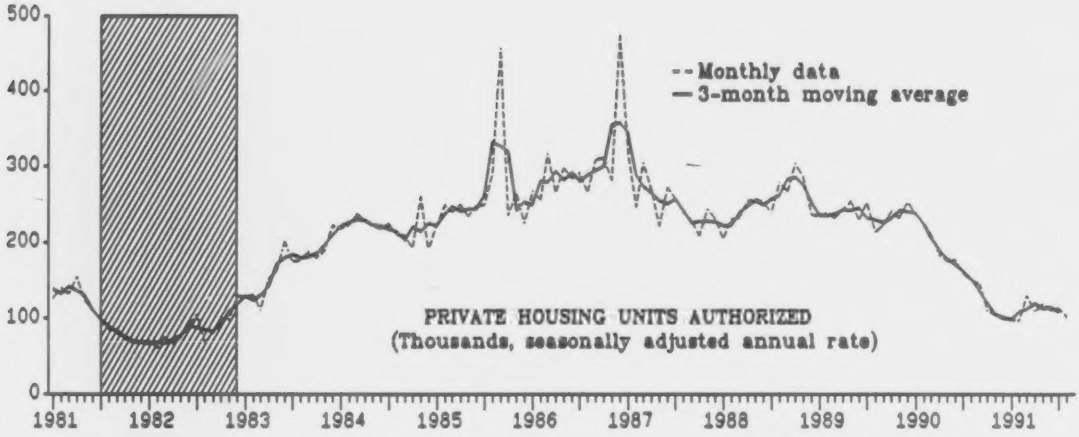

PERSONAL INCOME
(Billion $, seasonally adjusted)


WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)

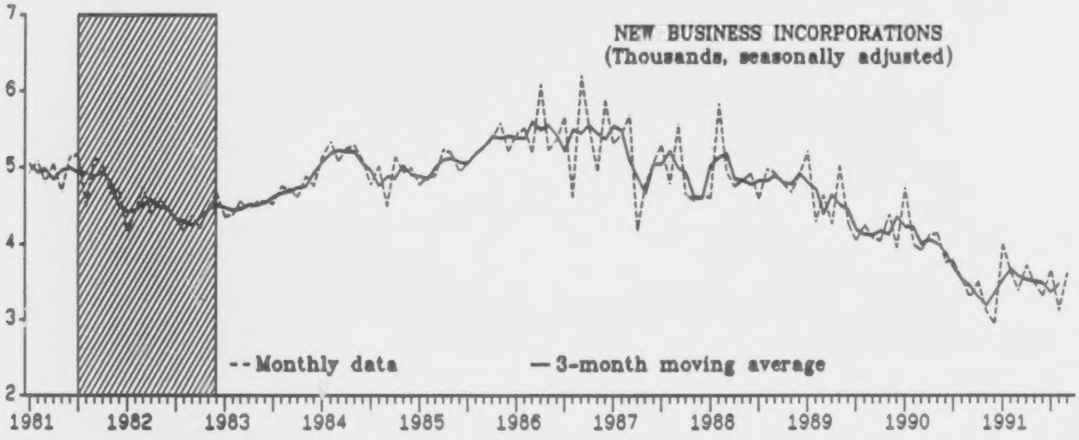

TAXABLE SALES
(Billion $, seasonally adjusted)


CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

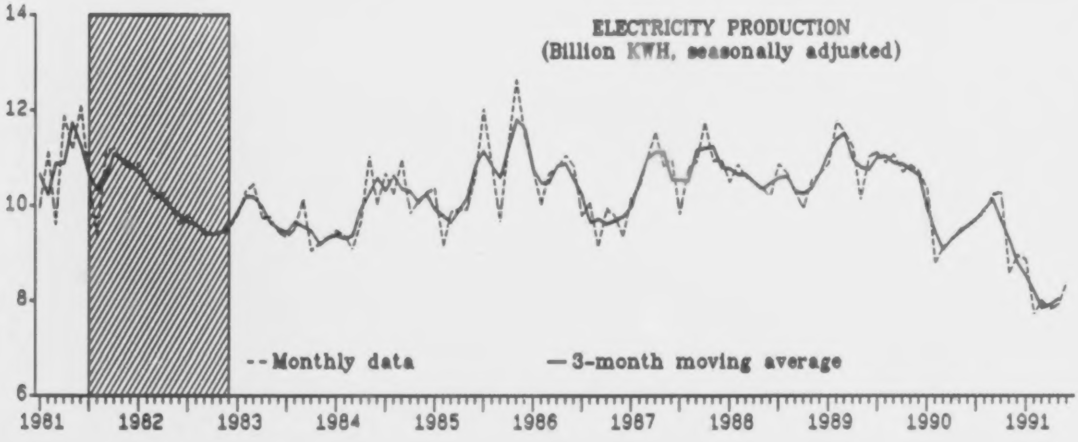

CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)



--Monthly data
—3-month moving average
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)
500
400
300
200
100
0
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991



NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
--Monthly data
—3-month moving average
7
6
5
4
3
2
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991



ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
--Monthly data
—3-month moving average
14
12
10
8
6
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

	1980
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.

	1980--continued
April 28	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.

CHRONOLOGY--Continued

1980--continued

July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.

1980--continued

December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3-Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.

1981--Continued

September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.

CHRONOLOGY--Continued

1981--continued

November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.
March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

1982--continued

April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the

CHRONOLOGY--Continued

1982--Continued

highest level since a 9.9 percent rate in 1941.

August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introduced.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike ends.
February 15	Toyota/GM agreement to build a small car in late 1984.

1983--Continued

February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong

CHRONOLOGY--Continued

1983--Continued

	investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.

1984--Continued

March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.

CHRONOLOGY--Continued

1984--Continued

December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9-1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.

1985--Continued

July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.
August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.

CHRONOLOGY--Continued

1985--Continued

December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.

1986--Continued

March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.
April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1- June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.

CHRONOLOGY--Continued

1986--Continued

July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.
August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.

CHRONOLOGY--Continued

1987--Continued

January 22	The Dow Jones Industrial average posted a record 51.60 gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

1987--Continued

May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-1/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.

CHRONOLOGY--Continued

1987--Continued

October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.

1988--Continued

August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.
July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

CHRONOLOGY--Continued

1989--Continued

September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.
October 4-November 20	International Association of Machinists strike Boeing.
October 17	Earthquake, measuring 7.1 on the Richter, hits the San Francisco Bay Area.
November 30	October U.S. personal income release indicates quake will reduce California personal income by about $2 billion in 1989.

1990

January 8	Prime rate cut from 10-1/2 percent to 10 percent.
January 15	Campeau Corp. files for Chapter 11 bankruptcy-law protection.
February 13	Drexel Burnham Lambert Inc. files for Chapter 11 bankruptcy-law protection.
March 2	Amalgamated Transit Union strikes Greyhound Lines, Inc.
April 1	Federal minimum wage raised from $3.35 to $3.80.
July 27	Revised GNP estimates cut 1989 growth by 1/2 percent. Year-over-year growth for the second quarter only 1.2 percent.
August 1	California fuel tax increase of 5 cents per gallon.
August 2	Iraq invades Kuwait.

1990--Continued

September 9	California population reaches 30 million according to California Department of Finance.
November 30	Index of leading indicators declines for fourth month in a row.
December 1	Federal gasoline tax increase of 5 cents per gallon.
December 4	Federal Reserve cuts bank reserve requirements by $11 billion.
December 18	Discount rate cut from 7 percent to 6-1/2 percent.

1991

January 1	California fuel tax increase of one cent per gallon.
January 2	Prime rate cut from 10 percent to 9-1/2 percent.
January 12	Congress approves use of force in Iraq.
January 16	U.S. begins military action against Iraq.
February 1	Discount rate cut from 6-1/2 percent to 6 percent.
	Prime rate reduced from 9-1/2 percent to 9 percent.
February 26	Iraqi troops withdraw from Kuwait.
February 27	President Bush orders a cease fire in the war against Iraq.
April 1	Federal minimum wage raised from $3.80 to $4.25.

CHRONOLOGY--Continued

1991--Continued

April 23	Lockheed-Georgia awarded F-22 Air Force contract.
April 30	Discount rate cut from 6 percent to 5-1/2 percent.
May 1	Prime rate reduced from 9 percent to 8-1/2 percent.
July 15	Chemical Banking and Manufacturers Hanover agree to merge.
August 12	BankAmerica agrees to acquire Security Pacific, surpassing the Chemical/Manufacturers Hanover merger as the largest in the banking industry.
September 13	Discount rate cut from 5-1/2 percent to 5 percent, the lowest level since February 1973. Most major banks reduce prime rate from 8-1/2 percent to 8 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1990

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28
Nov.	1982	July	1990	-----		92	--	--

SOURCES OF STATISTICAL SERIES

State of California:	
Board of Equalization	Taxable sales
Employment Development Department *Labor Market Information Division*	Civilian employment Unemployment Unemployment rate Hours and earnings
Unemployment Insurance Divsion	Unemployment insurance, initial claims and average weeks claimed
Department of Finance	Personal income Wages and salaries Nonagricultural employment
Department of Industrial Relations *Division of Labor Statistics and Research*	California consumer price index
Department of Motor Vehicles	New auto registrations
Secretary of State	New business incorporations
California Association of Realtors	Existing family home data
Coldwell Banker	Nonresidential vacancy rates
Conservation Committee of California Oil Producers	Petroleum production
Construction Industry Research Board	Construction data
Economic Sciences Corporation	Construction data
U.S. Department of Commerce Bureau of the Census	Retail sales
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
U.S. Department of the Interior Bureau of Mines	Cement production
U.S. Department of Labor Bureau of Labor Statistics	Consumer price indices